Listening at Savannah (page 38)

Just a Minute

PRESS ASSOCIATION, INC.

AT SAVANNAH

At the organization meeting of the World Bank and Fund. *Left to right:* O. K. Yui, China's Minister of Finance; Lord Keynes of Great Britain; U. S. Treasury Secretary Vinson; Pierre Mendes, France; Sir A. R. Ramaswami Mudaliar, India, observer for UNO; Ambassador Antonio Espinosa de los Monteros of Mexico

The Cover

THE picture on our front cover this month, taken especially for BANKING, shows six prominent delegates at the organization meeting of the World Bank and Monetary Fund having lunch at General Oglethorpe Hotel. They seem to be waiting for Mr. Vinson to speak.

BANKING'S representative at the meetings, HERBERT BRATTER, tells an authoritative and interesting story of this history-making conference in his article, "World Bank and Fund," page 38 Mr. BRATTER observed the meeting at close range, and his report on personalities and proceedings reflects his acquaintance with many of the participants as well as his intimate knowledge of the subject. He attended the famous Bretton Woods Conference.

Mr. Louis Bromfield

YOU know him as a novelist and playwright, perhaps also as a farmer—but probably not as a bank director.

That sentence covers plenty of ground, so we'll break it down.

Let's skip Novelist BROMFIELD and Playwright BROMFIELD; in those roles

(CONTINUED ON PAGE 3)

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

CONTENTS FOR APRIL 1946

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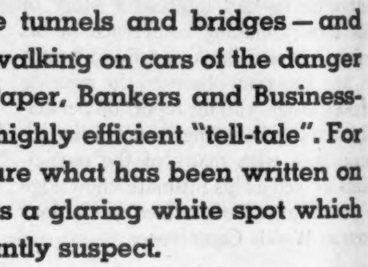


NVB
BANK

JUST A MINUTE—Continued

he's too well known to need an introduction. As for the next categories, may we remind you that Mr. BROMFIELD is a practical agriculturist and a director of the Lucas State Bank, Lucas, Ohio.

Knowing Mr. BROMFIELD's interest in soil conservation, improvement of farming methods and the general betterment of agriculture, we asked him to write an article that would emphasize the country banker's place in the picture.

With the assistance of P. M. ELIOT, president of the Lucas State Bank, we found Mr. BROMFIELD in a New York hotel. His absence from his rural retreat, Malabar Farm, Lucas, Ohio, was occasioned, we quickly learned, by the fact that he has a new play coming soon.

Well, we told Mr. B. our story and asked for his. His consent (obtained between acts), closely followed by performance, is evident from a glance at the table of contents. His article is distinguished not only for its authorship but for its ideas.

It starts on page 33.

Boston

BOSTON is a good place for a meeting. (Copy, Chamber of Commerce, if you care to.)

Our brief for the home of the humble bean and the sacred cod is based not only on a liking for the city but on the precedent it offers to meeters. During more than three centuries the town distinguished by culture, crooked streets, and the broad "a" has acquired also a reputation as a place of assembly. Boston Common, Old South Meeting House, Faneuil Hall, and the Old State House have been scenes of meetings that made headlines for history.

Merchandising was the business of those old Boston meeters (John Hancock, James Otis, Paul Revere, Wendell Phillips, Sam Adams, and the rest) — the merchandising of ideas.

And merchandising was the business of a meeting that took place in Boston only last month. This time the audience comprised bankers, assembled from several states for the eastern savings and mortgage conference of the Savings Division, American Bankers Association. They aimed their discussion at the promotion of their specialized services; quite in the Boston tradition, they exchanged and talked over ideas.

It was a good meeting. Story on page 69.

Four-Column Job

WANT a new slant on the Public Relations Problem?

If so, practically the first thing to do with this issue of BANKING is to seek out page 36 and the practical suggestion that awaits you there.

Briefly, the plan is built around a check list covering public contacts, staff participation, deficiencies, and possibilities for improvement. If this sounds cryptic, remember that our frank purpose here is to send you article-wards, quickly, for complete enlightenment.

We might add that the man whose

"So it's 'no,' eh? O.K., keep your old money!"

"Our friend from OPA wants a job"

idea it is maintains that public relations are inseparable from anyone or anything in the bank.

"They are created," he says, "almost entirely by personal or impersonal contacts among *people* — bank staff members, customers, and general public. The purposes of the check list will be served best by thinking of relations as contacts."

Here's a measuring stick you'll want to use.

Belated Introduction

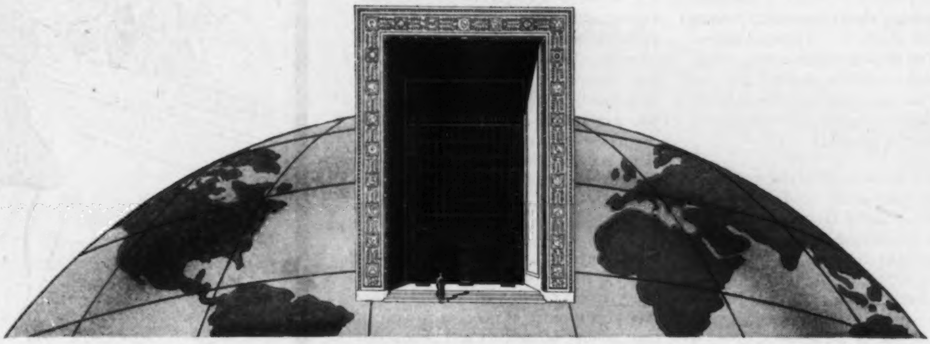
THIS paragraph should have appeared last month, for it was then we introduced our new "Consumer Credit Digest," a summary of markets, views and new or prospective products.

However, the oversight was all to the good, because this month we are expanding the Digest space to include views on the consumer credit trend by Professor A. A. FRIEDRICH of New York University and The Graduate School of Banking faculties. Furthermore, there are some notes on the recent meeting of the A.B.A. Consumer Credit Committee in Chicago.

Thus you get a neatly packaged report on a subject close to the hearts of many bankers, manufacturers, dealers, and their friend, Ultimate Consumer.

(CONTINUED ON PAGE 6)

"Aside from waiting until 12 o'clock every night before going to bed, when the display lights go off, you can't find a nicer furnished room in town!"



HOW TO BROADEN YOUR SERVICE TO CUSTOMERS

For many decades the Chase National Bank has served as New York correspondent for thousands of other banks in this country and abroad, maintaining cordial relationships with them and providing facilities which are utilized in whole or in part by them.

Among these services are:

- **Safekeeping of securities**
- **Providing information concerning investment matters**
- **Collection of checks, drafts and other bank documents**
- **Transmission of funds abroad and shipment of currency**
- **Issuance of letters of credit**
- **Information on credit standing of firms and individuals**
- **Participation in local loans when desired by correspondents**
- **Performing a wide range of incidental services**

Because of our experience in handling this business and our friendly desire to cooperate at all times, the Chase now serves almost half of all the banks in this country which have named a New York correspondent. This close association with other banks, both large and small, in every section of the forty-eight states, enables these institutions as well as the Chase to broaden their own service to customers.

You are invited to take advantage of the world-wide facilities of the Chase

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Member Federal Deposit Insurance Corporation

"Sorry, miss, but this thousand dollar check is signed 'April Fool'"

They Talk of Gravy

THE pronoun refers to none other than J. WILL IRWIN and BOB KIRKPATRICK, script writer and artist, respectively, whose skillful cartoon stories in prewar BANKING always merited a chuckle for their good humor and a careful reading for their content.

Messrs. IRWIN and KIRKPATRICK returned from the service just in time to get one of their specialties into the March issue; they appear again on pages 48 and 49 of this number—and with a novel idea.

New Glasses

FEW speakers are better known to bankers than Dr. MARCUS NADLER, professor of finance at New York University. Dr. NADLER'S addresses at bankers' conventions have a reputation that brings large audiences which come to learn, and leave with their purpose realized.

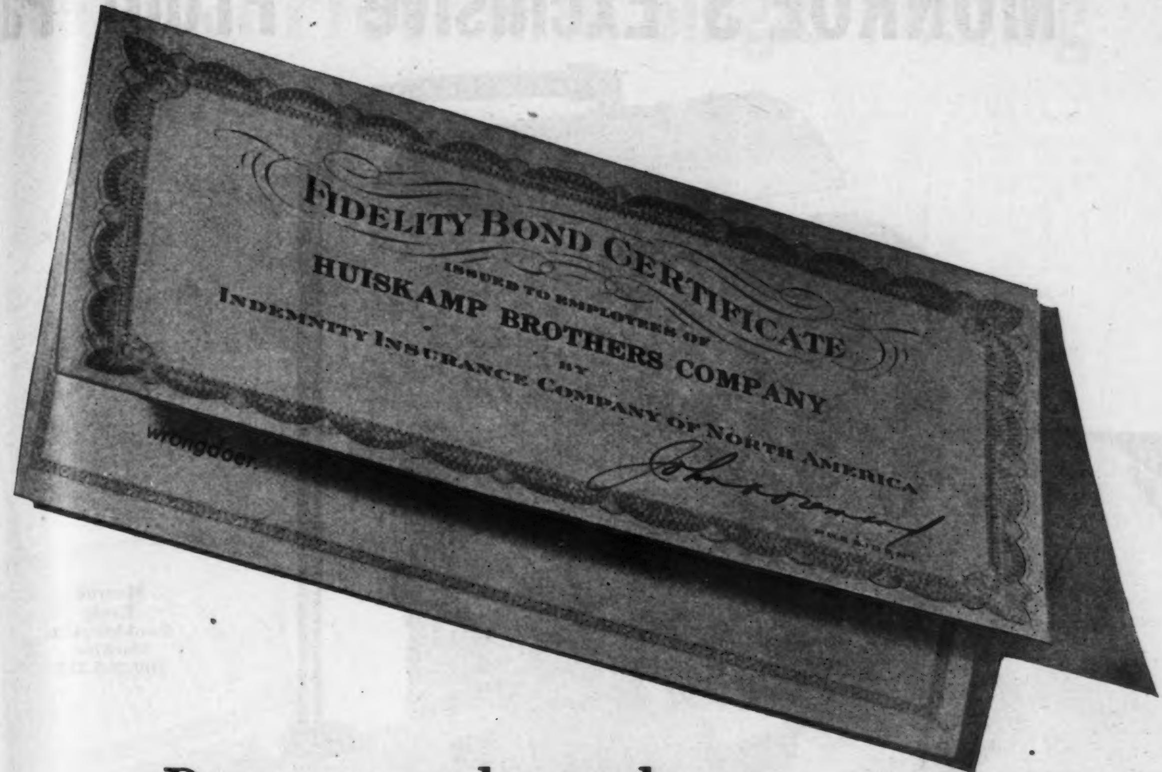
This month BANKING, rather than a public address system, is Dr. NADLER'S mouthpiece. He speaks on the changing character of bank assets (a field in which he is a specialist), and suggests that it would be well, in view of these changes, for bank examiners to adjust their sights a bit so as to get the picture in proper perspective.

The title is "New Glasses for Examiners"; the page, 38.

Economics, Inc.

EIGHTEEN young lady students of economics at Smith College, Northampton, Massachusetts, have incorporated

(CONTINUED ON PAGE 11)


FIDELITY BOND CERTIFICATE
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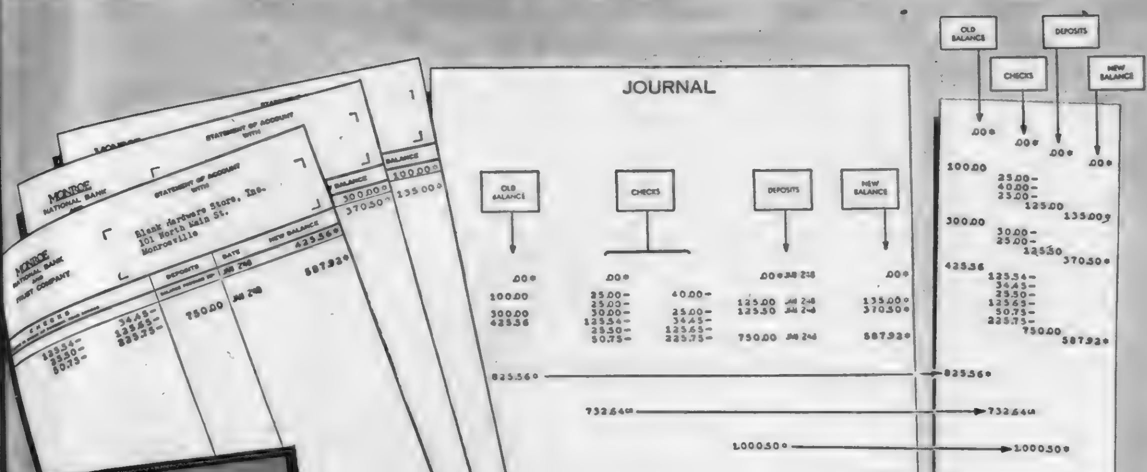
Pa gives Dual Proof with Single Posting



Monroe Adding-Listing Machine. Available with narrow or wide carriage, single register or grand total. Direct plus and minus bars, "Velvet Touch" action, live operating keys.

Monroe Calculating Machines have been standard equipment in banks for a generation. The same excellence of construction and dependability that have won universal acceptance are built into Monroe Listing and Monroe Bookkeeping machines.

The extreme simplicity of Monroe's "Proof Pay" can be seen at a glance. The 3½" tape produced by the "Proof Pay" run is a control of the entire posting of accounts, showing old balances, checks, deposits, and new balances. All overdrafts are instantly detected, and immediate adjustments can be made mechanically in all control registers. The totals on the journal produced by the posting run must agree with the totals on the "Proof Pay" tape.

In this Monroe Bank Bookkeeping Machine you have a machine of completely modern design, built especially to meet the new and modern needs of bank accounting. Because of its modern design it has made possible a unique and revolutionary system that is simple, fast, fool-proof. Its simplicity and "Velvet Touch" ease of operation is instantly recognized and appreciated by every operator.

Call the nearest Monroe Branch; a representative will explain Monroe features and advantages. Ask for fully illustrated booklet, "Three Machines in One." Monroe Calculating Machine Company, Inc., Orange, New Jersey.

MONROE

CULATING • LISTING • BOOKKEEPING MACHI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Serving You in Southern California
is the
SECURITY-FIRST NATIONAL BANK
of Los Angeles
with resources of over 1½ billion dollars
and 120 offices and branches from
Fresno to the Mexican border.
MEMBER FEDERAL RESERVE SYSTEM
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION
Head Office.
Sixth and Spring Streets • Los Angeles 54, California
Founded in 1875

their economics class. Its name is Ecclyco, Inc.

In the prospectus the corporation offers to the faculty, students and anyone else interested, 500 shares of Class A (voting) common stock and 1,500 shares of Class B (non-voting). A controlling block of the A (260 shares) has been acquired by the board of directors, comprising four students who fulfilled the legal requirement for age.

STANLEY G. ROSS, visiting lecturer in economics at Smith, is the corporation's guiding spirit and the teacher of the class. In addition, there is legal counsel, and financial counsel in the person of a New York Stock Exchange firm. The class was invited to New York early last month for a visit to the Exchange.

The corporation's place of business is the home of Professor Ross. The First National Bank of Northampton is the repository for funds.

The prospectus sets forth that Ecclyco is one of a few corporations organized and managed by students, and that the management receives no compensation. So far its only funds have come from the sale of the directors' shares. None of the Class A or Class B shares have been offered for sale.

Eventually, Ecclyco hopes to trade in securities so as to round out the experience of the directors and stockholders.

Here and There

THE Illinois Municipal League of Springfield liked "A New Face for Oglesby" in February BANKING and asked permission to reprint in the

"It's that confounded hypnotist again!"

League's "Review." We permitted. . . . The News Letter published by the New England Council contains excerpts from an address by Council President FREDERICK S. BLACKALL, JR., on selling bank service. Addressing a group of bankers, Mr. BLACKALL said: "Every manufacturer, merchant, and individual in your community is a potential customer of yours, and you have a better chance to get his business than anybody else if you will really go after it with enlightened sales and business promotion methods."

The LIVE STOCK NATIONAL BANK at the Sioux City stockyards observes its golden anniversary with an illustrated brochure . . . .

Public Relations

A FRIEND dropped in the other day. He had been public relations officer of a prominent AAF unit, and it wasn't long before the conversation got around to the subject in which he was so expertly interested. He agreed with the thought that banks, in their contacts with veterans, have a public relations opportunity of tremendous importance. Then he told a true little story—personal, but very pertinent.

This officer, back in civilian life, was making his fresh start in a small and somewhat remote village where he had just bought a house. The transition meant a move from suburban New York—a move that cost considerable money. So he went to bank where his account had been carried during the war and asked for a short-term secured loan to tide him over.

"The cashier of the bank," he went on, "heard my little story with warm and sincere sympathy. Sure, I could have the loan, for as long a time as I wanted, and at a very reasonable rate.

"So I said, 'Well, let's make it a month,' and he said, 'That will be fine.'

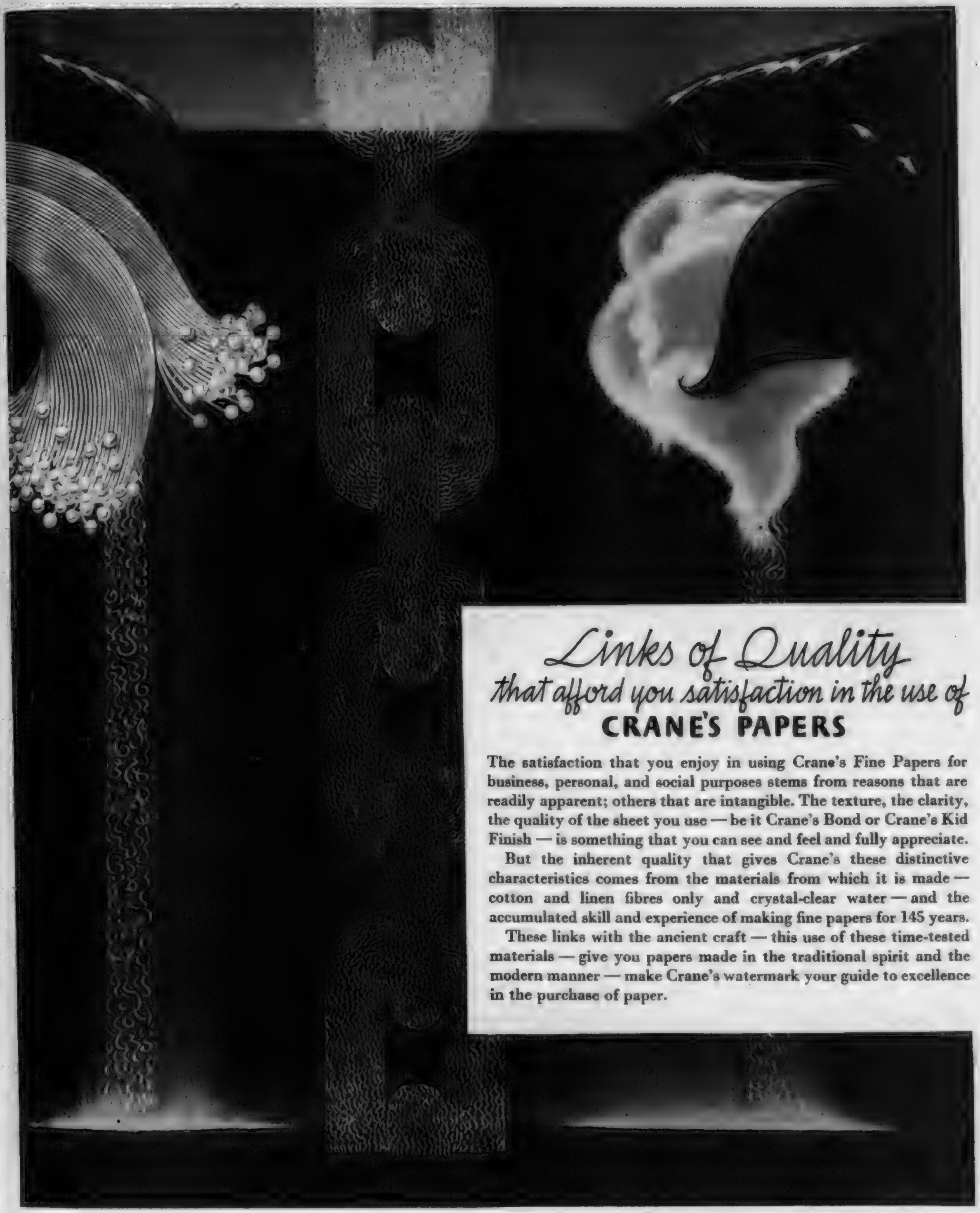
"When the month was nearly over my wife mentioned the coming repayment.

"'Listen,' I told her, 'do you know what? That bank was so darn pleasant and accommodating that I'm going to let the loan run awhile. They have hardly made a nickel on us thus far, but let's give 'em a chance now. We'll let the loan go, say, six months.'

"She agreed, and that's just what we're doing. Incidentally, I had planned to move my checking account, but we've decided to leave it in our old bank, too."

"If that's an example of good public relations, make the most of it!"

JOHN L. COOLEY



Yours is a business that depends largely on paper for daily transactions and matters of record. Crane's has been a bankers' paper since the days when banks issued their own bank-notes on Crane's — more than a hundred years ago. It is still the preferred paper of many banks the country over. We invite your inquiries or suggest you ask your regular source of supply for samples and prices of Crane's Papers for all banking needs.

CRANE'S FINE PAPERS · MADE IN DALTON, MASSACHUSETTS · SINCE 1801

"From now on the bank gets all my credit business!"

"I got a swell deal from the bank on financing our new car, Mary. We'll soon be needing other things —and that's where I'll go for *all* my credit!"

Words like these are being heard in ever-increasing volume on the big, billion-dollar consumer credit "buy-way." And from State Farm Mutual, the world's largest automobile insurance company, has come a sizeable portion of the impetus that is directing this huge new stream of credit dollars to local cooperating banks.

State Farm began cooperating with banks before the war. For well over a year, State Farm's 1,200,000 policyholders have been getting first-hand advice from the company's 7,000 agents to "see your local banker before you finance your next car." And to help promote your bank's credit business, *additional* millions of Americans have been reading—month after month in leading national magazines—about the State Farm Bank Plan.

Hundreds of local banks are cooperating with State Farm—already "cashing in!" If you haven't investigated this big profit opportunity for YOUR bank, it will pay you to get complete details about the State Farm Bank Plan without delay.

STATE FARM INSURANCE COMPANIES
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Please send us, without obligation, the FREE booklet or booklets we have checked below:

- ☐ "New Profit Opportunities for Banks"
- ☐ "The State Farm Group Loan Life Plan—Good Will Insurance for Banks"

Name..

Bank..

Address..

City..................Zone........State......

How your bank can profit! Send today for FREE booklets

Here are two booklets *every* banker should have! "New Profit Opportunities for Banks," explains in detail how The State Farm Bank Plan works for you. "The State Farm Group Loan Life Plan—Good Will Insurance for Banks," tells how you can insure consumer loans at low cost. Both of these booklets are *free* for the asking. Simply indicate on this coupon whether you'd like one or both booklets. Then clip it and mail to State Farm Mutual, Bloomington, Illinois. There is no obligation.

S. H. Sellers operates 7 routes and serves over 1500 customers

No. 2 in a Series of Farm Community Builder Stories

Full-line farm supply center

...He's a MILLION DOLLAR PURINA DEALER

S. H. Sellers, Montgomery, Alabama

From a corner retail grocery store to a large feed and farm supply and wholesale grocery business is the growth story of the Sellers organization at Montgomery, Alabama. It was in 1920 that the Sellers Grocery Company sold their first carload of Purina Chows. Ten years later found them developing their route sales and service organization which brought better poultry and livestock feeding and management to the farms of the community. It was this route system that accounted for a large share of the firm's growth during the depression.

Today the Sellers Feed and Seed Company has more than 1,500 customers... 7 route sales and service men and has sold more than $1,000,000 worth of Purina Chows. Mr. Sellers credits this growth to the quality Purina line, Feeding Advisory Service, regular route work and consistent advertising and merchandising... all part of Purina's plan for becoming a Community Builder.

F. C. Madison, manager of the feed department

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THE PURINA DEALER IS A GOOD MAN FOR THE RURAL BANKER TO KNOW

There are many more Purina Dealers whose services to their agricultural communities rank high... and they're good men for rural bankers to know. The Purina Dealer and his organization contact farmers day in and day out... know their plans, problems and needs. While visiting with farmers, many of them are saying a good word for their local banks. Does your local Purina Dealer know the services that your bank offers to local farmers, so that he can recommend them? Maybe he's trying to do this now, when he thinks of it —but why not give him your story and ask him for his active and planned cooperation? Working together... Banker and Dealer... you can build *your* agricultural community.

COMMUNITY BUILDERS

WASHINGTON

U. V. WILCOX

BEFORE the war there was a French writer who insisted that all emotional patterns, movements and beliefs could best be expressed in color. It was an entertaining theory which had a minor vogue at a time when life was simple by comparison with the present period. The colors depicting the patterns of the prewar period were pastel. Today they are violent and loud. Their pattern and design conflict and clash. Their harmony is similar to the automatic riveter and the reverberating hammering of the pile driver.

Washington is like that these days. Officials feel strongly and declare themselves vigorously. There have been developed propaganda devices designed to make certain that officials have no time to think and reason out the issues of the hour. There is pressure to force easy acceptance of group demands. This permits officials to become prematurely and irretrievably committed and catalogued. It assumes that they will not change their minds under counter-propaganda that opponents of the first group devise.

Pressure at Work As a spectacle, this interplay of pressure methods is revealing and it is, at times, frightening. How long can a democracy function under such methods? Is it possible that the present period will reveal the answer to the question so often asked, and so often attributed to fear mongers and calamity howlers? The optimists say, in effect, that one of the laws of physics will operate in the political field, namely, that every action creates a reaction in the opposite direction. The pessimists often become appraisers unable longer to withstand the pressures of real and stimulated propaganda.

From the viewpoint of the reporter of events, these propaganda pressures frequently fall into over-all patterns. These patterns may seem to vary, but it is rare indeed that the basic device is not to be found, and when recognized it is easier to appraise it. Sometimes, but not often, a new pattern appears—new, that is, for America. There was, for example, the propaganda pressure created by the Government itself, and paid for out of tax funds, to influence the taxpayers.

The initial large scale use of that pattern in this generation was in persuading Congress to accept the Bretton Woods Agreement. More recently, the Office of Price Administration has utilized the same pattern.

OPA Methods Backfire OPA, now up for legislative review by Congress, is counting on propaganda methods and devices to assure its continuance. However, its methods are backfiring. Shortages, new to America at peace, have created resentments and counter-pressures. The OPA, admittedly necessary during the initial reconversion period, has become most unpopular in Congress through its interpretations of laws. Its assumptions that business can produce without profit is not popular in a nation still more capitalistic-minded than communistic.

Another effort at swaying Congress through propaganda is found in a desire to see a favorable vote on the British loan agreement. Treasury and State Department officials endeavored to repeat the same formula which seemed to work so well in securing acceptance by Congress of Bretton Woods. But it hasn't worked so well this time. The same organizations were appealed to. Most of them followed instructions. Yet the Administration is having a tough time trying to get congressional support of the agreement.

The reason? It may be due to the fact that the American public lacks sufficient information. Assertions rather than reasons often fail.

More "Nays" Than "Ayes" In connection with this effort to obtain passage of a joint resolution accepting the loan agreement, the Treasury Department has been making regular polls of sentiment. It has found that Congress is more opposed than favorable. Yet it also finds that newspapers generally are more favorable than opposed. Is this due to the fact that the editorial writers of newspapers have had an opportunity to weigh the evidence and then declare themselves on their findings? Is it due to the fact that members of Congress are not as well educated?

It seems probable that members of Congress have become economy-minded. Confronted with an appropriation of $3¾ billion, it is easier to oppose. Also, there are prejudices from isolationist heritage to century-old dislikes of a nation which the United States fought twice, despite the fact that twice the United States allied its military fortunes with that nation.

There are other over-all trends here which must be taken into consideration, not only in connection with an extension of price control and the $3,750,000,000 loan to Britain, but in the long list of pending bills now before Congress. Chief of these developments is the formation of a bipartisan bloc in Congress.

Introducing the Republicrats A combination of conservative, old-line Democrats and Republicans has operated at various times in recent years. Bills seeking to curtail strikes, have been pushed through, despite all the efforts of the White House and Democratic Party leaders. The effort of President Truman to support a housing bill carrying price controls on old homes, and carrying subsidy payments to aid in the construction of new homes, was defeated in the House

by a coalition of Southern Democrats and Republicans.

This coalition has now become aware of its strength. In the past, it operated more spontaneously than through directive planning. It now threatens to operate under control of a central committee made up of Democrats and Republicans. This is significant, for there is thus found a working group, agreeing on certain understood economic principles. These principles are recognized as transcending party ties, and party leadership.

There are other motives. A dominating one is resistance to radicalism as exemplified in some of the labor movements. The propaganda methods they use make it difficult for any member of Congress, whose constituency includes large numbers of such labor-dominated groups, to resist without jeopardizing his career. However, in joining a determined combination of other members the danger is lessened. It becomes more difficult for the pressure group to say, in effect, that a majority is wrong.

HARRIS & EWING

The Treasury's silver medal for distinguished service in War finance was awarded to the chairman and members of the Board of Governors of the Federal Reserve System and the presidents of the 12 Reserve banks by Secretary Vinson. *Left to right*, Alan Sproul, chairman of the New York Reserve Bank; Secretary Vinson; and Reserve Board Chairman Marriner S. Eccles

The Bloc's Plans and Aims

This bipartisan bloc now in existence in Congress has certain definite aims. These have not been formally stated. However, the leaders of the movement define them as including governmental economy, resistance to subsidies and opposition to more experimental laws. Chiefly, the bipartisan group now achieving a measure of control in both Houses of Congress is determined to get a balanced budget and even to reduce the national debt. It would also like to see put on the Federal statute books, laws which would bring into balance, management and labor. There is no opposition to organized labor as such. But there is strong opposition to dominant labor.

More social legislation is frowned upon if it means an increase in Federal spending.

High taxes are favored as long as the national debt remains high. Lower taxes are at the same time favored, if business can be given an incentive to expand and produce.

At the right is O. Max Gardner, new Under-Secretary of the Treasury. Seated at President Truman's right is Reconversion Director John W. Snyder

HARRIS & EWING

Some Truman Nominations

Developments along the foregoing lines have been stimulated by the ending of the war and by President Truman himself. Some of the nominations which have come from the White House have indicated to Congress that there is little to fear by way of retaliation from that quarter. These nominations being considered "weak" and subject to criticism, have strengthened the independence of Congress. With the support of influential organs of public opinion, personalities have been questioned and attacked. Independent thinking has resulted. And this has been something new, after more than 10 years of blind following of White House demands.

Certainly this is a period of confusion—socially, financially and economically—not only on the domestic front where national solvency and national inflation are pressing problems, but also in foreign policy. To say that a revolution is in progress on the home front is no exaggeration. It is also in progress in world affairs. The military victory of World War II left more difficult problems than it solved.

Foreign Policy, Home Front

Not in recent history has foreign policy so impinged on domestic economic policy. How can we get along with a nation which seems to have so little in common in basic matters? How can we understand new defi-

(CONTINUED ON PAGE 23)

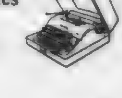
...which typewriter?

SPEED, reliability. Qualities of a great daily . . . and these typewriters. In newspaper offices all over the land Smith-Coronas take a pounding from reporters, re-write men, feature by-liners. They stand up well, with the same freedom from breakdowns that has served industry through heavy-pressure years.

For the needs of manufacturing, transportation and business, more and more new Smith-Coronas are becoming available . . . machines that give promise of surpassing even the "old-timers'" rugged performance.

Smith-Corona

Makers also of
Smith-Corona Portables



HARRIS & EWING

J. A. Krug is the new Secretary of the Interior, succeeding Harold Ickes

nitions of words which supposedly had long been unquestioned. This is made all the more difficult, because it has finally come to be recognized in high quarters that there are in this country those who favor changes in the American system. They seem to prefer fundamental economic changes which mean, in essence, the abandonment of capitalism, and the substitution of a new form of socialism. For this is not the socialism of Norman Thomas or the brand defined in school books, but something much more aggressive and determined. Those who favor this strange form of socialism give allegiance to economic philosophies of foreign origin.

Lending Our Dollars Abroad Individual bills and policies prominent in the news and vital to the banking world are all colored, to some extent at least, by these fears, pressures, resentments and distractions. For example:

The problems of lending funds abroad involve the world conflict over ideologies. In addition to the British loan, the Export-Import Bank has a heavy lending program if it obtains more funds. It has applications for large loans—the amounts are in the billions—to France and Russia. Millions more are proposed for lesser nations. The lending of these large sums means more than the dollars. It is admitted that such lending will increase inflationary pressures since the money will be bid against already scarce articles. One official frankly admitted that it will mean some sacrifice for Americans since they will not be able to buy the articles that they are hoping to buy.

In the matter of inflationary pressures, official thinking is concerned with

(CONTINUED ON PAGE 134)

OBSERVATION of the proceedings in almost any bank leads one from the pathetic to the ridiculous, from the modern mechanical age to horse and buggy days. For instance, the first loan this bank ever made, on the day of its opening nearly 40 years ago, was $50 for the purchase of a mule. A couple of months ago, we went modern in a big way and financed the purchase of an airplane for the first time. The loan was handled through our instalment loan department and the purchaser was not, as you might suppose, a wealthy sportsman, but a hard-working mechanic.

This mechanic had been taking flying lessons at a nearby airfield and by the time he had secured his pilot's license he was so enamoured of his new hobby that he just had to have a plane of his own. Rather diffidently he came into the bank and asked about the possibility of having the purchase of a personal plane financed. The loan was made, the money to be repaid in monthly instalments, and the customer got his plane.

THE happy sequel to this story is that Mr. Mechanic became an instructor himself and with his plane earned so much money teaching others to fly that in less than three months he was able to pay off the loan entirely.

Now we have made our second airplane loan—to a group of young business men, most of them ex-servicemen, who miss their flying days in the Army. We don't know just how they are going to settle who has the plane when—but that is their problem!

Perhaps the most pathetic part of bank life is the refusing of loans which we know are badly needed, but the granting of which would not be consistent with sound business practice. For instance, the woman who wrote us she wanted us to set her up in the chicken business, because her husband was "not a very good farmer" and they were very hard up. She was so obviously sincere in her ambition to lift her family from poverty that it really hurt not to help make her dream come true.

BELLE S. HAMILTON

LOOKING FOR GOOD LOAN COLLATERAL?

Turn the spotlight on your customers' Inventory

ONE OF THE best loan collaterals a bank can hold hides under the name of "inventory."

Your customers are learning that their marketable inventory, when field warehoused by Lawrence Warehouse Company, gives them an easily tapped source of additional working capital.

For Lawrence helps your loan department in 3 ways—by spotlighting this profitable business.

First: by advertising its service to your top-prospect industries. Lawrence advertisements explain the "hidden collateral" in inventory... show how easily Lawrence Warehouse receipts may be converted into bank credit.

Second: by providing you with a free, explanatory booklet, "Field Warehousing on your Premises," written in laymen's terms. You may have as many as you like for your customer-prospects.

Third: for the desks of your loan officers, Lawrence has produced a free and fully detailed book, "Inventory Financing."

Phone or write our branch office in your territory and take advantage of Lawrence's 31 years of Field Warehousing experience.

LAWRENCE WAREHOUSE COMPANY

Field Warehousing CREATES COMMODITY PAPER AGAINST INVENTORY

NEW YORK: 72 Wall Street • CHICAGO: 1 North LaSalle Street • SAN FRANCISCO: 37 Drumm Street • LOS ANGELES: W. P. Story Building • Buffalo • Boston • Philadelphia • Kansas City, Missouri • St. Louis • New Orleans • Jacksonville, Florida • Dallas • Houston • Denver • Fresno • Stockton • Portland, Oregon • Atlanta • Cincinnati • Washington, D. C.

LAWRENCE SYSTEM

A Vacation Weather Vane

FRED COPELAND

Mr. Copeland's prescription for the right vacation to meet mood and need comes to BANKING *from the author's home in Randolph, Vermont.*

STUDENTS of that sparkling subject, the annual vacation, assert that the spell you are in at the time points an arrow toward the proper place to go. Your immediate need in certain years may be different. This particular need, so it is said, arises from one of three situations: either you have become more than commonly dog-tired, or fallen into a spasm of worrying, or are just plain bored. And what is more, vacation experts name, with no little common sense, an outing to correct each one of these three joy-killers.

Are you just plain dog-tired? Well, then, it will be the best of medicine if you find yourself sleeping that first July night in a hillside farm cottage in haying time. Through your wide-open window the morning sun awakens you with a musical hum in your ears. It comes from a mowing machine. You can hear its lazy "click-click-click" as it backs up at the corners to get a new bite. It's so restful a sound it seems to say, No hurry . . . there's plenty of time for all of this.

If you peek out of your bedroom window maybe you can see it and a jiggling straw hat creeping along the edge of the tall timothy and redtop. Under the new morning sun beads of dew will be flashing like brilliants on the farmyard grass, and swallows will be skimming around the hay barn roof. The open barn door will invite you into its vast twilight later to watch the sunbeams shoot through crack and knothole, and swing slowly over the hay bins in bars of gold that dial the drowsy moments. And in the evening—well, have you ever wandered out in the warm July starlight sprinkling a hayfield with silver?

Curiously enough, the second pre-vacation ailment—worry—calls for the opposite kind of vacation background. It is said you can't find time to carry on a worrying campaign while you are watching the waves come crashing in; it's too gloriously disturbing. Look at the way that shore takes the water right in the face! In three days you'll want to push a wave back yourself.

There's nothing better than a sailboat to bring out the fight that is sleeping in you. Sailboats are full of comradeship, and they are wise. Even if it is only a little one, you'll find it is a living thing. You'll smile at the way it shrewdly finds you out. It will teach you humility, self-confidence and courage—just what you need if you are worrying. Before you know it, you'll be testing your growing skill with the seas. A sailboat, by popular conception, has just the right "scare" to take your mind off yourself. Perhaps it's really better that you don't know it takes no rare type of skill to keep the craft right side up, or that if left to itself it is wise enough to round into the eye of the wind and drift backward with the sails fluttering like flags.

Every morning, now, packs a wallop. You can hardly wait to get to the boat. The beads of dew run along the gunwale like diamonds as you step aboard. Shortly you'll be out with the cream-white sail leaning against the blue sky. And you'll have company. New acquaintances will be slipping out, bringing that close comradeship only known to sailors. In landlocked waters there'll be strange shores and islands to explore; a new world opens up as thrilling as that which met the eye of early French explorers.

And now for the third condition. You're bored with routine, and you can't disclose it to a single soul. This mood demands that the vacation be at the gayest place your purse will stand. This suggests smart clothes. It means beaches and verandas dizzy with striped umbrellas and awnings in bright colors, new faces, no responsibilities. It's going to make the old bank interior mighty comforting in two weeks.

For example, and for no other purpose than just to illustrate the point, let's look at Montreal. Even if that city isn't available to you, it may suggest something similar.

Montreal, although only a few miles over our frontier, is different than any city in the States, for it is the fourth largest French-speaking city on the globe. When you descend in an elevator the operator looks at you and says, "Oh! Red d'Shaw-Say!" She flips so alien a tongue that you put your nose in a dictionary and fish up the real lettering, "*au rez-de-chaussee*" (ground floor). If you try to beat a red light, the policeman will cry out anxiously, "*Prenez garde!*" (Take care!) Little park lawn signs wink at you . . . "*Ne passez pas sur le gazon!*" (Keep off the grass!)

The tiny Paris-like cafes of Montreal East will dish up rabbit and vin rouge. The dining rooms of Montreal West will seat you in a London atmosphere. If you are lucky enough, the 'Kilties' may step along Sherbrooke street and send a thrill up your spine. Even old Montrealers stand spellbound on the curb when they hear the skirl of the pipes, and see the white spats stepping out, the ribbons rippling from the Scotch bonnets and bagpipes, and the scarlet tunics and kilts swaying in perfect rhythm.

The financial district of any metropolis is of interest to a bank worker. Montreal's Place d'Armes and St. James Street correspond to London's Threadneedle and Lombard streets and the Place Vendôme of Paris. The section is compact enough so you can study your foreign confreres as they come to their offices in the morning. It's intriguing to see the trend in dress. Is it gay or sober? Does it follow London or New York?

It's a dose of foreign sparkle that kills the monotony bug. Odd that we should need this stimulant, for the reality of life, we learn too late, is in its living tissue from day to day right in the midst of our own banking associations.

"We Feel Like Rip Van Winkle"

A GLIMPSE of banking in Calcutta comes from D. N. Mukerji, managing director of The Hooghly Bank, Ltd., in that city.

Several months ago Mr. Mukerji asked BANKING for literature on term loans and also for educational booklets published by the American Bankers Association. When we mailed him the material we suggested that he send us some information about banking in India.

Mr. Mukerji forwarded a number of leaflets and promotional folders which his bank and its branches are using. They tell the story of his bank's growth from 1932, when "a small pawn shop was converted into a private banking concern," Hooghly Bankers & Traders, Ltd.

"It is our role," says one of the folders, "to supplement the big banks in rebuilding the countryside. In our sphere of action we bring the lenders and the borrowers to the closest proximity to enable both to establish a personal touch and guidance in modern methods of business."

"Our aim," says another, "is to serve all classes alike and to carry the bank's services to every creek and corner."

As to general banking conditions in India, Mr. Mukerji writes: "We are still in the early 19th Century. When we go through your BANKING we feel like Rip Van Winkle."

"So . . . a few petty regulations mean more to you than your own mother, eh?"

FROM BROMFIELD'S "PLEASANT VALLEY," HARPER BROTHERS, NEW YORK

The Banker and a More Abundant Earth

LOUIS BROMFIELD

MR. BROMFIELD, the novelist and playwright, has also won fame as a farmer in Richland County, Ohio. "Pleasant Valley" is the title of his best selling book, written about this farm. He is a director of the Lucas State Bank in Lucas, Ohio, and a leader in various programs for conservation of our wealth of the soil.

THE country bank has always been largely an American institution. It grew up with the country, bank after bank being set up as the wilderness was subdued and here and there grew up communities of farmers who, as the country developed, had need of financing in order to produce more and to expand their activities. During the great agricultural period of American life—roughly speaking, the period from the Civil War until about 1914—the country bank flourished and the small town banker became a person of consequence in the political and economic structure of the nation. But about 1914 it became evident that something was happening to the old system of country and small town banks.

It had been going on for a much longer time; it only began to be evident a decade after the turn of the century when country banks began, here and there, to go out of existence. Gradually throughout the next generation and almost a second generation, an increasing number of country banks continued to close their doors. They folded up always in areas or communities where the land, once so fabulously productive, had become worn out and unproductive through greedy agricultural practices and the soil erosion and floods which swept the country during the vast development of the 19th Century. As more and more areas and communities became worn out, country banks did less and less business and finally closed altogether. That process is still going on at a considerable extent throughout the country.

I wrote some time ago a much publicized article called "The Mason Place" in which I traced simply the decline and eventual death of a fertile Ohio farm and what it meant to the community in loss of wealth, of taxes, of production, of purchasing power, of borrowing and depositing power. It was a significant story; it became more so when one multiplied the example by the three or four millions of wrecked and abandoned farms scattered over the whole of the nation and by three or four millions more which have fallen below that level where they any longer produce wealth or can provide security for loans. These are the "dead" farms in a declining farm economy.

IN THIS situation are many factors which affect the economy of the whole nation, reaching up into our great industrial cities, our great city banks and into the stock market itself. Above all they affect living costs, standards of living and the purchasing power of the dollar. Let us consider some of them.

(1) As an agricultural community declines and "dies" it ceases to create wealth, to borrow or deposit money. Its purchasing power declines sometimes to the vanishing point and in many cases it fails even to yield taxes. Such a community becomes the responsibility of the rest of the nation, a liability rather than an asset to the whole of its economy. Largely speaking the whole of the Cotton South has been reduced to this level—a level at which purchasing power to support industry and provide employment has largely vanished and in which almost its only production (that of cotton) is subsidized with money drawn from the taxpayers of the rest of the nation. In some cotton states annual agricultural

incomes average less than $170 a year and some families see as little as $5 a year with which to buy the products of industry. This is so because through erosion and a poor single crop agriculture the production *per acre* of cotton has fallen below that level where even at high prices it can any longer be produced profitably. The subsidy serves only to keep a wretched agriculture alive at an economic level which produces living standards lower than those of any European peasant.

(2) The real and only test of agricultural wealth and prosperity is the production *per acre*. It is obvious even to a child that the farmer who produces 100 bushels of corn per acre is more prosperous and his profits greater than those of a farmer who cultivates five acres to produce 100 bushels. It costs the latter approximately five times as much in labor, time, seed, fertilizer, taxes and interest to produce a bushel of corn or the pound of meat resulting from it.

During the war the nation made a record of food production but never at any time in history in any nation has food been produced at so high a cost—because the production *per acre* was so low. Indeed many farm commodities, under a ceiling price system, have had to be subsidized (again by taxpayers' money) in order to get sufficient production. Otherwise costs of certain farm commodities would have risen through scarcity and *the high cost of production* to almost prohibitive prices. In fact exactly such a situation did arise in poultry which, throughout the war, was about 80 per cent a black market commodity, with prices, at times and in certain areas, rising as much as 500 per cent above the 1940 level.

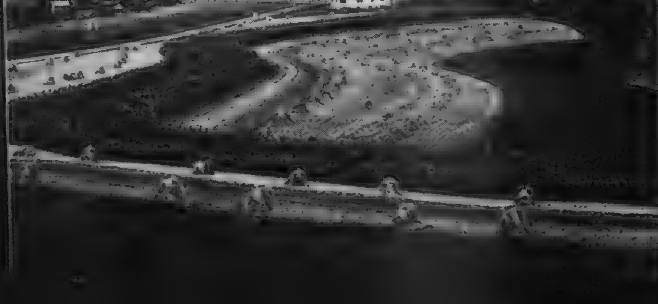
PRODUCTION *per acre* in all crops has been declining in this country since the first furrow was turned and has been declining at an increasingly rapid rate since the Civil War. Annual corn production averages in some of our richest areas have declined from 120 bushels upward upon virgin soil to as low as 37 and 44 bushels per acre despite the introduction of hybrid corn which "artificially" increases yields about 25 per cent. As this production has declined the cost of production has increased in about the same ratio, affecting not only the costs and price of corn production itself but also that of the meat and dairy products produced from it and the industrial commodities in which it is used as a base.

The above example concerns corn alone, but it holds good as an example of the declining production in almost all fields of agricultural production. Food being the basic item in the cost of living and with agricultural commodities playing a larger and larger part in our industrial life, this declining production has steadily been raising the cost of living, lowering living standards and diminishing the vast agriculturally based purchasing power of the nation for the past three or four generations. It lies behind the "creeping inflation," based upon scarcities and high and increasing production costs, which is in the long run more paralyzing and dangerous to the nation than any temporary violent inflation. It lies largely behind the 108 per cent rise in the cost of living since 1900 recently quoted by the War Department in its plea to increase Army pay. It lies largely behind the strikes and demands for higher wages among industrial workers or at least is an extremely valid excuse for their actions.

ORGANIZED labor has estimated that living costs have increased about 42 per cent since 1940. Department of Labor figures are somewhat less, but both, in my opinion, are too low. Some items of food have increased in price as much as 300 or 400 per cent during that period and black market prices have risen even higher. Nor do these estimates include the subsidies paid out either in direct or hidden taxes by every citizen. These increases in price do not represent the results of temporary shortages alone. They represent to a much greater degree the steadily increasing costs of production and the consequent high prices which limit markets for food and prevent countless millions, even at a fairly high wage level, from having an adequate, high protein, nutritious diet.

The truth is that with a growing population, a declining agricultural production *per acre* and increasing production costs raising the prices of food, we are gradually approaching that point at which China arrived long ago, that of becoming a nation in which the greater part of

Contour farming is a potent weapon against soil erosion. Strips, *l. to r.*, are grain, hay, corn, hay, grain, and potatoes



This abandoned farm is typical of thousands of acres of worthless, sub-marginal land, but formerly abundantly productive

the population lives precariously upon a cereal diet. The effect upon banks, industry, commerce and our whole economy is, I think, obvious. The process may be imperceptible to the average man and even to some economists but it is in progress at a more rapid rate than many people understand.

The truth is that if we had an *efficient* agriculture upon fertile soil with fertility maintained, we should be able to lower the cost of food by about 30 to 40 per cent and the agricultural producer would be making approximately 20 per cent more profit.

Surpluses are nothing to be feared. Actually surpluses in agricultural commodities do not in reality exist either in this country or in the world. There are only poor distribution and the high prices which inhibit consumption at lower food prices with abundance and profits. Based upon efficient low cost production, not only more food can be consumed but more quality food. It is obvious that 35 cents a pound beefsteak produced at a profit to the farmer would have a much greater market than 85 cents a pound steak produced on subsidy or at a loss. This is true along the whole line of food. The consumer's base expands as prices go down. Under a really efficient mechanized agriculture of 100 per cent potential production per acre without loss of fertility, there would be no such thing as agricultural surpluses. Such hypothetical surpluses would, considering our declining production and growing population, very likely be translated very quickly into scarcities. Only a greater abundance produced by increased yields *per acre* can accomplish these lowered but profitable prices and increased consumption. Such a program is no more than the assembly line, mass production technique, so successful in industry, applied to agriculture—that of high production at low production cost with a smaller but reasonable profit per radio, automobile or bushel of corn or pound of beef.

You will doubtless encounter government statistics showing slightly increased production per acre of corn or some other farm commodity during the past few years, but like most statistics these become extremely fallible and misleading when analyzed. In the case of corn the gain in production, considering the "artificial" gain made through the use of hybrid seed, does not by any means equal the 25 per cent increase claimed by the Department of Agriculture for hybrid varieties. Actually, considering the "artificial" increase through hybrid seed, these figures represent a decline. Or even if one accepts them outright, the increase in yields per acre are so slight as against the total decline in production per acre during the past two or three generations as to become negligible. Nor do these statistics take into consideration the grave fact that every year hundreds of thousands of acres of farm land are going out of production altogether because, even with subsidies, or high prices, they can no longer be worked profitably. These obviously low yielding farms are removed altogether from the computation, thus forcing the statistics steadily in upon areas where the soil is still productive and uneroded or where better farm practises are employed.

One also hears statistics showing that the production of food *per capita* is higher in this country than in certain European countries, but these statistics fail to add that this situation exists only because we still have left more agricultural land *per capita*, in some cases as much as 10 times more, than most European countries. Nor do they show that the cost of food in this country, despite the greater *per capita* production, is much higher (barring vagaries of foreign exchange rates and inflations) than in these same European countries in normal times. This is so because of poor and wasteful agricultural practices in this country and because of the declining production per acre and the steadily increasing costs of production. *We do not produce more food* per capita *than some European nations because we have a more fertile soil or practice a better agriculture but only because we*

(CONTINUED ON PAGE 114)

Using the same primitive methods as their ancestors used hundreds of years ago, Chinese women are cultivating rice

BROWN BROS.

Which Shall It Be:

Productive or Exhausted Land?

In the whole picture, the declining fertility or slow absolute destruction of virtually all of our good agricultural land through erosion or poor agricultural methods becomes a matter of the utmost importance to our economy in the long as well as in the short run. In the sum total of the real wealth upon which our economy is really founded—the oil, the coal, the ores and metals, etc.,—agricultural land (and forests) is perhaps our most important single item. This is so because agricultural land is in most cases renewable and therefore eternally productive of wealth and because as other sources of real wealth become scarce or exhausted, we turn more and more to agricultural land (and forests) to supply the substitutes for them. When this pool of real wealth is exhausted it will not matter whether we have all *the gold in the world buried at Fort Knox or whether the government printing presses produce bank-notes by the bale: we shall become a third or fourth rate nation with low-living standards and the diet of a Chinese coolie for most of our citizens.*

A Public Relations Check List

For Banks Large and Small—Don't "Read" *It*—STUDY *It*

UNDOUBTEDLY, the luncheon had been well prepared and served, but we had hardly noticed what we were eating—the five of us were so engrossed in a lively discussion of bank public relations. For over an hour four of the participants freely contributed their ideas and opinions, but the fifth said little until lunch was over. Then he pushed back his empty coffee cup and made his contribution in the form of a suggested procedure which he said could be followed beneficially by any bank regardless of whether its staff consisted of four or four thousand people.

He maintained that he was not a "public relations man," but we knew that he had been in the banking business for more than 30 years; had been messenger, clerk, bookkeeper, teller, manager, and officer; had run operations, supervised personnel, bought securities, made loans, worked on business development, handled advertising, fussed with publicity; and had weathered the big depression in a spot which suffered the largest bank failure and experienced the most phenomenal banking recovery.

So we listened and made a few notes. And out of the memoranda comes this article which he refuses to sign, because he is not an authority on public relations.

To him, most public relations programs appear to be only skin deep, and no more capable of strengthening business relations than face creams and talcum powders are capable of creating health and beauty. He holds to the old, old principle that a bank's public relations, good or bad, are basedly largely, although not entirely, upon a foundation of manpower, machines, material, methods, and management producing and selling a valuable service to customers and community. He views advertising and publicity, the most commonly designated ingredients of public relations, as being but a part of public relations programs, and valuable only when supported by effective service and personnel-customer contact.

Up to this point his contentions are a bit trite, but from here on he freshens up.

He contends that although we all agree on public relations being dependent upon men, machines, methods and so on, few of us give more than lip service to the idea. In order to put it into working operation he feels it necessary to set up a thoroughgoing internal bank plan, involving four preliminary steps (and a lot of shirt-sleeve work) to be followed by a varying number of secondary steps and no end of follow-up. He calls it a four-column job and gives it the currently popular title of check list. According to him, the procedure should be along the following lines and could be worked on profitably by any bank regardless of its type, size, or location. It could be developed only partially or completely, with correspondingly small or large benefits derived from the effort.

To begin with, he maintains that public relations are not separable from anyone or anything in the institution. They are created almost entirely by personal or impersonal contacts among *people*—bank staff members, customers, and general public. The purposes of the check list will be served best by thinking of relations as contacts.

First Column—Public Contacts

To determine the scope and variety of the contacts existing in the bank, there should be listed in this first column all of the activities and other elements that create a personal or impersonal relationship between staff members and public. Every banking function and all of the routine operations put people in touch with each other. An indication of the number of such contact possibilities is presented in the first column of the incomplete list on the opposite page.

Second Column—Staff Participation

This column, in effect, provides a sort of inventory of the particular types of contacts that are in the hands of all members of the staff. Every position in the institution, from president to porter, should be listed and under each position there should be noted by letter and number the kinds of personal or impersonal contacts that exist between public and staff members in each classification.

(CONTINUED ON PAGE 117)

Conclusion and Beginning

Completion of the four-column listing sets up the bank's public relations control and improvement program. It clarifies a situation, establishes responsibility, and crystallizes a course of action. It initiates a never-ending effort to constantly improve poor and maintain good bank-public contacts. If the program is carried on sincerely and energetically, it should provide better banking service for community and nation—the only sound basis for good public relations.

At least that's what the man said at the luncheon, and we who listened agreed with him.

A Sample Check List

Column 1

Public Contacts

Personal (talking and seeing) contacts arising out of:

(A) Duties performed inside and outside the bank—

(1) Informing (7) Delivering
(2) Advising (8) Investigating
(3) Receiving (9) Loaning
(4) Paying (10) Investing
(5) Transferring (11) Selling
(6) Collecting

(B) Activities in trade and professional associations—

(1) Bankers (7) Builders
(2) Accountants (8) Insurance Men
(3) Credit Men
(4) Personnel Managers (9) Advertising Directors
(5) Fiduciaries (10) Economists
(6) Investment Specialists (11) Attorneys

(C) Participation in civic, educational, social, and fraternal organizations —

(1) Community Funds (7) Veterans Organizations
(2) Charity Groups (8) Banking Schools
(3) Red Cross (9) Universities
(4) Hospitals (10) Recreational Clubs
(5) Improvement Associations (11) Fraternal Orders
(6) Service Clubs

Impersonal (writing and reading) contacts arising out of:

(D) Correspondence and Records—

(1) Telegrams (7) Invoices
(2) Letters (8) Statements
(3) Account Memos (9) Instruments
(4) Notices (10) Documents
(5) Bulletins (11) Securities
(6) Pass Books (12) Reports

(E) Advertising and Publicity—

(1) Ads for local, regional, trade, or general publications
(2) Copy for cooperative advertising programs
(3) Direct mail material
(4) Material for bank desks and hand outs
(5) Window and lobby displays
(6) Bank and department signs inside and outside the building
(7) Billboard and poster copy
(8) News releases on events and plans

(F) Institutional Contributions— Contributions of material, money, or manpower to local, state, and national programs of trade, charitable, political, and patriotic organizations.

Column 2

Good — g
Fair — f
Poor — p

Staff Participation

President, Mr. White:

A	B	C	D	E	F
1-f	1-f]	1-p	1-g	8-p	all-f
2-f	3-g	6-g	2-g		
5-g	6-g	9-f	5-f		
8-g		10-g	12-g		
9-g		11-g			
etc.					

Vice-President, Mr. Black:

A	B	C	D	E	F
1-g	1-g	3-g	1-g	1-p	Part-g
2-g	4-f	5-f	2-g	2-p	
3-g	9-p	6-g	4-g	3-g	
5-g		7-f	5-g	4-g	
7-g			12-g	5-f	
etc.				etc.	

Accountant, Mr. Brown:

A	B	C	D
1-g	2-f	3-g	1-g
8-g			2-p
			3-f
			4-f
			5-f
			etc.

Commercial Teller, Mr. Green

A	B	C	D	E
1-p		1-g	3-f	4-p
2-p		3-f	4-f	
3-g		8-g	6-g	
4-g			9-g	

Collection Clerk, Miss Grey:

A	B	C	D	E
1-g		2-g	1-g	4-g
2-g		8-g	2-f	
5-g			3-f	
6-g			4-f	
7-g			6-g	
			etc.	

Transit Clerk, Miss Blue:

A	B	C	D	E
			1-f	3-f
			2-f	
			3-g	
			4-g	
			8-g	
			etc	

Bookkeeper, Miss Jade:

A	B	C	D
3-g		8-f	1-g
4-g			2-f
5-g			3-g
			4-f
			7-g
			etc

Stenographer, Miss Beige:

A	B	C	D	E
1-f		2-g	1-g	3-g
2-f			2-g	
8-f			3-g	
			4-g	
			5-g	
			etc.	

Column 3 Deficiency Reasons	*Column 4* Improvement Possibilities
Inadequate or inefficient office space and equipment	Building alterations
★ ★	★ ★
Poor alignment of equipment and other facilities	Repair, replacement, and rearrangement of equipment
★ ★	★ ★
Insufficient or antiquated forms and materials	Revamping of forms, records and other materials
★ ★	★ ★
Outdated or poorly arranged operating methods	Study of modern techniques and revision of operations
★ ★	★ ★
Improper placement of personnel. Incapable supervision of staff and operations	Shifting, releasing, hiring, and promoting staff members
★ ★	★ ★
Needed changes in personnel policies covering salaries, hours and other working conditions. Lack of time on the part of staff members for proper handling of customer and public relations.	Job analysis, merit rating, salary adjusting, profit sharing, and other incentive changes in remuneration system
★ ★	★ ★
Faulty or incomplete training or informing of personnel in mechanical routines and customer contacts	Adoption of job training, job relations training, and job methods training programs. Operation of staff conferences. Use of operating manuals, bulletins, and house organ
★ ★	★ ★
Unsatisfactory use of outside educational and professional service organizations	Wider use of American Institute of Banking, Graduate School of Banking, and other formal educational courses. Subscriptions to desirable information sources. Increased or decreased membership in business and professional groups. Hiring of agencies rendering specialist assistance

World Bank and Fund

HERBERT BRATTER

The author, a Washington correspondent and a regular contributor to BANKING, *gives an interesting on-the-scene report of the organization meeting of the International Monetary Fund and the International Bank for Reconstruction and Development, at Savannah, Georgia.*

AT the Ides of March, while this issue of BANKING was going through the stages of physical manufacture, important decisions affecting international exchange and investment were taking place at Savannah, Georgia.

The purpose of the Savannah Conference, of course, is well known: to set up the Fund and Bank called for in the Bretton Woods program. Thus have been brought into being two more United Nations organizations, hoping they are for the common good of the world. Their formal titles are the International Monetary Fund and the International Bank for Reconstruction and Development. In the daily working literature of the Savannah gathering these ponderous names were fortunately shortened to Fund and Bank.

The process of organizing and waging peace is slow. About 20 months elapsed between the signing of the agreements at Bretton Woods, New Hampshire, in July 1944 and the formal creation now of Fund and Bank. Indeed, although the American Congress voted approval of the BW plan in the early Summer of last year, ratifications of other members were not deposited with the State Department until December 1945. The delay was attributed to the desire of most countries to see what the United Kingdom would do, and the U.K. in turn was awaiting the results of the Anglo-American loan negotiations. Britain's continued membership, so vital to the success of the Fund, is dependent on American granting of the loan, as has been made clear to Washington.

At Bretton Woods 44 countries were represented, plus Denmark, which participated as an observer. Of these, 35 formally ratified the agreements in time to send representatives to the Savannah Conference. The other nine countries, including the U.S.S.R., were invited to send observers and all of them but Haiti and Liberia were on hand for the opening meeting on March 9.

The Savannah Conference held its sessions at the General Oglethorpe Hotel, a pleasantly situated waterside hostelry on suburban Wilmington Island. Savannah did itself proud in welcoming the foreign delegates, most of whom arrived on the special State Department train from Washington. Southern hospitality proved lavish. The whole town seemed to be on hand to greet the arriving visitors. A large crowd, including a reception committee, was at the railroad station, and West Broad Street in front of the terminal was jammed with 100 cars and their owners, hospitably brought together to carry the visitors to their distant hotel. Led by an escort of motorcycle police, the mile-long caravan moved impressively through streets lined approvingly with Savannah's remaining populace, including particularly the thousands of children let out of school for the occasion. Around the city squares with their sub-tropical verdure and down the long avenues of palmetto trees and azalea bushes in gorgeous bloom the delegates'

Lord Keynes, economic adviser to chancellor of the Exchequer, England's governor of Bank and Fund, and Lady Keynes arrive at International Monetary Conference; *right*, George Bolton, Bank of England; the Hon. R. H. Brand, head of United Kingdom Treasury Delegation in Washington

PRESS ASSOCIATION

HARRIS & EWING
Mr. Vinson

Mr. White

HARRIS & EWING
Mr. Collado

caravan continued under Savannah's smiling skies to the scene of their sojourn. So far as nature and hosts could provide, here indeed was "peace on earth, good will toward men."

Technically, the Savannah Conference was the first business meeting of the boards of governors of the Fund and the Bank. Each member country is represented by one governor on each of these two boards. Because of congressional desire to see the closest collaboration between the Fund and the Bank, the United States' governor of the Fund and the Bank is the same person, Secretary of the Treasury Fred M. Vinson. Our alternate governor of both institutions is Assistant Secretary of State William L. Clayton. A number of other countries have followed our example by appointing a single representative to both boards of governors. Although no member country has more than one representative on the board of governors, voting is approximately in proportion to the country's contribution to the Fund. That is, the votes of each member are determined by its "quota" in the Fund and its "subscription" to the Bank. There are some exceptions. Each country, no matter how small its quota or subscription, has 250 votes and in addition one vote for each part of its Fund quota equivalent to U. S. $100,000; and in the Bank one additional vote for each share of stock held by it.

THE boards of governors of Fund and Bank are required to meet only once a year. The continuous responsibility for the operation of the BW institutions will rest on the executive directors, elected at Savannah, and on the managing director of the Fund and the president of the Bank, selected later by the executive directors. Election of the executive directors and determination of the terms and conditions of employment of the managing personnel therefore were among the main reason for the inaugural meeting in March. In addition the Savannah Conference had to consider the selection of sites for the Fund and Bank and the conditions under which new members may be admitted.

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The Machinery

SECRETARY of the Treasury Vinson, who was chosen chairman of the Boards of Governors of the World Bank and Fund, said to BANKING *at the close of the Savannah Conference:*

"This meeting has demonstrated again that where there's a will to cooperate, there's always a way. Now that the Fund and the Bank are in being, I hope all Americans will give them every support."

The conference went a long way toward setting up the machinery for both institutions. Each of the Boards of Governors will have an executive committee of 12 members. Secretary Vinson is also chairman in each case and Lord Keynes of England is vice-chairman in each case. Seven candidates for the seven elected members of this executive committee of the Fund were nominated. They were: Dr. Rodrigo Gomez, Mexico; Dr. Francisco Alves dos Santosfilho, Brazil; G. W. J. Bruins, Netherlands; Louis Rasmisky, Canada; Camille Gutt, Belgium; Dr. J. V. Mladek, Czechoslovakia, and Ahmed Zaki Bey Saad, Egypt.

Seven nominations were made for the seven elected members of the executive committee of the Bank. They were: Professor Kyriakos Varvaressos, Greece; Victor Moller, Chile; Dr. Luis Machado y Ortega, Cuba; Camille Gutt, Belgium; J. W. Beyen, Netherlands; R. B. Brice, Canada, and Dr. Leon Baransky, Poland.

There are 12 executive directorships for each institution, the remaining five in each case would be appointed by the governments of the United States, Great Britain, France, China and India. President Truman has already named Harry D. White, Assistant Secretary of the Treasury, as director for the Fund and Emilio G. Collado of the State Department, for the Bank. The executive directors of the Fund will select a managing director and the executive directors of the Bank will select a president.

The Savannah meeting chose Washington as headquarters site for both Fund and the Bank. It postponed until December 31 the deadline for the time during which Russia, Australia and the other nations may come in as "original members."

Dr. Nadler, *well known to bankers throughout the country, especially as a speaker at their conventions, is professor of finance at New York University.*

Professor Nadler

BANKING in the United States is under the control of various governmental agencies. Some, such as the Board of Governors of the Federal Reserve System, are primarily concerned with broad policies and are charged with the supervision and control of money market and credit conditions. Others are primarily supervisory in character and have been created for the purpose of safeguarding the depositors of the banks. This article will deal with the latter phase.

All banks in the United States are subject to examination. The national banks are examined regularly by national bank examiners while the state-chartered institutions are examined by the supervisory agencies of the respective states. All insured banks are supervised by the Federal Deposit Insurance Corporation which examines insured state banks not members of the Federal Reserve System. It is not surprising, therefore, that no unanimity of policy exists and that at times the attitude of the national examiners differs from that of the state examiners. Nor is there unanimity among the latter as to certain policies.

Changed Position of the Banks. Due to the huge deficit incurred by the Government and the consequent absorption of a great many government obligations by the commercial banks as a result of the war, the assets of the latter have undergone a considerable change. Whereas on June 30, 1934 the ratio of United States Government obligations to earning assets of the commercial banks in the United States and possessions insured by the FDIC was 32.51 per cent, on June 30, 1945 the percentage was 73.34 per cent. Similarly, as a result of the method of financing the war and the acquisition of government securities by the banks, the volume of deposits of the commercial banks has increased very rapidly. Capital resources, however, could not keep pace with the sharp increase in the volume of bank deposits, with the result that whereas on June 30, 1934 the ratio of capital funds to total deposits of all insured commercial banks in the United States and possessions was 17.44 per cent, on June 30, 1945 it amounted to only 6.21 per cent. The capital ratio of the national banks was only 5.83 per cent. There are banks in the country whose ratio is substantially below the above figure. These developments are undoubtedly bound to have an effect on the attitude of the supervisory authorities of the banks.

Ratio of Capital to Deposits. In the past, and particularly before the banks began to acquire a large volume of government securities accompanied by a sharp increase in bank deposits, the generally accepted ratio in the United States was 1:10, i.e., $1 of capital resources to $10 deposits. This ratio has not proved of any particular value, however, because, as experience of the past has shown, even banks with larger ratios have often failed. Under conditions as they exist at present a fixed ratio is meaningless. Instead of considering a ratio of capital to total deposits a much sounder procedure would be to consider a ratio of capital to risk assets.

The nature of risk assets is not easy to determine. However, by the process of elimination one may reach certain definite conclusions. Obviously, cash on hand or with other banks is entirely without risk. The same applies to Treasury bills as well as certificates of indebtedness and bankers' acceptances. The Treasury bill rate is pegged and since the certificates of indebtedness mature within a year it is quite evident that their fluctuation can at best be extremely limited. It is, therefore, self-evident that a bank does not need a cushion in the form of capital, surplus or undivided profits against these assets. If the riskless assets were eliminated the ratio of capital resources to the remainder is indeed substantial.

Furthermore, an entirely different attitude should be adopted by the supervising authorities toward government obligations with a maturity up to five years than toward loans and other securities. Government obligations with a maturity of less than five years, while they are subject to fluctuation, cannot depreciate materially under present money market conditions particularly because of the refinancing needs of the Treasury. *So long as the Treasury has large amounts of obligations coming due each year which must be refunded it is certain that no sharp increase in money rates will be permitted by the monetary authorities. The amount of own resources needed by the banks as protection against such obligations is, therefore, substantially smaller than would be true of a corresponding amount of other risk assets, including commercial loans.*

In adopting a definite policy as regards the ratio of capital resources to deposits, therefore, the examining authorities should overlook this ratio entirely and evolve certain ratios of capital resources against risk assets.

This question will become of particular importance in the not distant future. Until now the banks have found government obligations the principal outlet for their funds. From now on, however, because of the sharp decline in yields on government obligations it is certain that many banks will endeavor to seek other outlets for their funds.

Not only will they acquire corporate obligations but also a more aggressive policy will be adopted by them to make durable consumer goods and character loans in general. Banks operating with savings deposits will undoubtedly endeavor to acquire as many mortgages as possible. If the examining authorities merely consider the ratio of capital resources to deposits without taking into account the composition of the assets of the banks, many institutions may be prevented from making these loans. If, on the other hand, the examining authorities consider only the ratio of capital resources to risk assets they will find that in a great many cases, even though the ratio of capital to deposits may be low, the ratio of capital resources to risk assets is more than adequate. Should they, however, find that the ratio of capital resources to risk assets is relatively small, then undoubtedly it is their duty to insist that either the volume of such loans be curtailed or that the capital resources of the banks be increased. Banks which have a considerable portion of their assets in loans, mortgages, or bonds other than government, undoubtedly enjoy high earnings and therefore are in a position to attract additional capital.

To sum up, then, a sound policy of the examining authorities toward the capital ratio would be to overlook entirely the ratio of capital to deposits and to concentrate on the ratio of capital to risk assets. It would be highly desirable if the various authorities such as the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the superintendents of banks and bank commissioners in the states were to reach an agreement as to what constitutes a riskless asset against which no protection is needed in the form of own resources of a bank.

The Attitude Toward Loans. The types of loans which the banks will make in the future will be different in many respects from those made in the past. In the past the bulk of the loans made by commercial banks was based primarily on self-liquidating transactions. The element of risk involved in such loans is not great. At present industrial and commercial concerns have considerable amounts of liquid assets at their disposal to finance all their current needs. Hence the demand for strictly commercial loans is not likely to be great in the immediate future. At the same time there will be a considerable demand for loans to finance the purchase of machinery and equipment as well as for the enlargement and expansion of enterprises. This type of loan requires a longer maturity and an entirely different approach on the part of the banker.

The question arises, therefore, as to what attitude the examining authorities will adopt toward such loans. In the past the banker and the examiner were interested primarily in liquidity. At present, however, ***an entirely different approach may be necessary.*** A loan is sound if the lender is satisfied with the management of the borrowing company and if the company is solvent. Whether the loan can be repaid within a stipulated period of time should make little difference. If the examiners inquire primarily into the soundness of a loan irrespective of its liquidity, the volume of such loans will increase and the complaint often levelled against banks that they are not meeting adequately the demands of their customers will disappear. If, on the other hand, the examiners frown upon such loans and compel the banks to set up reserves against them, obviously the latter will be reluctant to make these loans and the old complaints against the banks will be raised even more vociferously than before.

It is fairly certain that large and small commercial banks throughout the country will enter the field of durable goods financing as well as the granting of character loans on a much larger scale than ever before. This development will undoubtedly require clarification by the supervising authorities. It cannot be denied that such loans entail considerable risk particularly where a bank engages indiscriminately in financing purchases of all kinds of durable consumer goods irrespective of the location of the borrower.

A WORD of caution against too great optimism is in order. So long as the demand for durable consumer goods remains great, which is bound to be for the next two or three years, loans made on such commodities are obviously sound. Once the supply of commodities begins to exceed the demand, however, the element of risk involved increases. Furthermore, loans made by a bank to its own customers for the purpose of financing their requirements of durable goods as well as for repair of homes are obviously less risky than loans made to strangers with whom the banks have had no dealings before. Since the volume of loans made by commercial banks for such purposes is bound to increase, it would be advisable if the examining authorities were to lay down certain rules and principles which the individual commercial bank could follow.

All this indicates that the types of loans made by banks are bound to undergo a considerable change. If the examiners should apply the same yardstick to all loans and insist that every loan be highly liquid, obviously the ability of the banks to make a large volume of loans which of necessity must be of long maturity or to finance the requirements of people with a relatively modest income will be materially reduced.

Conclusion. In every country the banks are handmaidens to industry and trade and therefore reflect accurately economic and financial conditions prevailing in a country. Due to the war and the method of financing the huge deficit of the Treasury the composition of bank

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The Big Bull Market

PAUL SANN and VICTOR RIESEL

The authors of this refresher course on the 1929 market crash are New York newspapermen.

THERE is a lot of money around. Jobs are plentiful, wages high. But the bulging pocketbook is loaded down with danger. There is so much cash to spare that the get-rich-quick fever of the 1920's is in the air again.

Before another wild fling in spending and speculation gets under way, the country would do well to remember what happened 17 years ago. In the springtime of 1929, stocks were going higher and higher, and the whole country was in the Big Bull Market, getting richer by the minute.

"Never before have such fortunes been made overnight by so many people," Edwin LeFevre, a familiar Wall Street figure, said at the time. LeFevre told of one man who started with $100,000 and ran his stake up to $20,000,000, and of another who with a little less than a million began to trade with such success that he was said to have made $30,000,000 in eight months.

On a smaller scale there were numerous instances such as that of the advertising man who went in with $8,000—his life savings—and ran it up to $500,000 in two months.

People bought up anything and everything the market had to offer. Some brokers handled stock purchases for their own shoe-shine boys, for chauffeurs who picked up market tips on the way downtown. There was even a story of a financier's eavesdropping valet who made $250,000 on margin. The buying fever was such that one stock went up 1,000 per cent after the company's president publicly warned that there was nothing in its prospects to warrant any rise in the market price of its securities.

This was the New Era and John J. Raskob put that dream down on paper in a magazine article which he blandly called, "Everybody Ought to Be Rich." The nation evidently shared this view. Women were urging their husbands to set up margin accounts for them as birthday gifts. The urge for easy money was nurtured by advertisements tempting the masses with such items as $50,000 Russian sable coats, $45,000 duplex apartments, "slender, low-slung, luxurious" Pierce Arrows at $8,200, and women's suits (just something to knock around in) starting at $450.

There were isolated outcries against this frenzied speculation. But nobody listened, even when competent observers warned that the market would crack sooner or later. Crack? The bottom fell out. The calendar—71 nightmarish days—tells the story:

September 3, 1929. The market reaches its all time high. Steel stands at 261, compared to 138 a year ago. General Electric skyrockets to 396, against 128 the year before. American Telephone & Telegraph reaches 304, against 179. Electric Bond & Share climbs to 186, against 89. Westinghouse goes to 289, against 91. The number of people involved in security transactions on all markets, directly or indirectly, approaches 25,000,000.

September 5. The market is nervous. Steel falls off. Other pivotal stocks follow. Brokers blame Roger W. Babson, saying that his recent gloomy warning of an impending crash had started a selling wave. The public sits it out. It's a mild dip, and no one is frightened.

October 4. Securities, wobbly for a month, dip from 2 to 30 points in a wild Stock Exchange session. Hundreds of millions of dollars are lost. Margin calls, their tempo stepped up for weeks, go out by the thousands. There's uneasiness now, but no alarm.

October 10. Buying is sufficient to recoup half the losses of the week before.

October 21. An avalanche of selling. Six million shares

Exterior view of N. Y. Stock Exchange after 1929 market crash

A recent New York Stock Exchange floor scene


ork Times.

THE WEATHER
Cloudy, probably rain today and tomorrow; warmer tomorrow.
Temperatures yesterday—Max. 49, min. 38.
U. S. Weather Forecast—For details see Page 56.

w York Times Company.

AY, OCTOBER 30, 1929. TWO CENTS In Greater New York | THREE CENTS Within 200 Miles | FOUR CENTS Elsewhere Except 7th and 8th Postal Zones

STOCKS COLLAPSE IN 16,410,030-SHARE DAY, BUT RALLY AT CLOSE CHEERS BROKERS; BANKERS OPTIMISTIC, TO CONTINUE AID

LEADERS SEE FEAR WANING

Point to 'Lifting Spells' in Trading as Sign of Buying Activity.

GROUP MEETS TWICE IN DAY

240 Issues Lose $15,894,818,894 in Month; Slump in Full Exchange List Vastly Larger

The drastic effects of Wall Street's October bear market is shown by valuation tables prepared last night by THE NEW YORK TIMES, which place the decline in the market value of 240 representative issues on the New York Stock Exchange at $15,894,818,894 during the period from Oct. 1 to yesterday's closing. Since there are 1,279 issues listed on the New York Stock Exchange, the total depreciation for the month is estimated at between two and three times the loss for the 240 issues covered by THE TIMES table.

Among the losses of the various groups comprising the 240 stocks in THE TIMES valuation table were the following:

CLOSING RALLY VIGOROUS

Leading Issues Regain From 4 to 14 Points in 15 Minutes.

INVESTMENT TRUSTS BUY

How New York *Times* told the story of Wall Street's biggest volume day

are traded. Stocks break from 2 to 45 points. One security, Commercial Solvents, plunges 138 points. Toward the end of the day there is a rapid recovery. A financial editor reports, "There is confidence in Wall Street . . . the market staged a merry comeback today."

October 22. Charles E. Mitchell, chairman of the National City Bank, returning from Europe, tells ship news reporters: "I know of nothing fundamentally wrong with the stock market."

October 23. The financial editor—and Mr. Mitchell—talked too soon. Prices sag as mysterious heavy selling develops. Steel drops eight points, Westinghouse 25, General Electric 20, and A. T. & T. 19. Dazed brokers see 2,800,000 shares sold in the last hour before the bell.

October 24. Black Thursday. The market opens steady but suddenly blocks of 20,000 to 25,000 shares are offered. Securities dip moderately for a half hour. By 11 A.M., a solid wall of figures on the annunciator boards is summoning all the exchange's 1,100 brokers to telephones to receive orders—selling orders—from their offices. The panic is on. By 11:30 A.M., the ticker is 48 minutes behind, and the Aladdin's Lamp fortunes of the New Era hang in the balance. By 12:15 Auburn Motors plunges 70 points and Montgomery Ward 34. Johns-Manville drops from 180 to 140, and even Steel falls below 200, despite frantic efforts to keep it above that figure lest it carry the whole securities structure down.

Word of the disaster spreads rapidly. Curious thousands surge into the canyons around Broad and Wall. Newsreel crews set up cameras on the steps of the Sub-Treasury Building to shoot the crowd, hustled along by 400 extra policemen. Sightseeing bus operators quickly detour special cars into the district.

In the customers' rooms, men weep. Some furiously smash tickers, short-circuiting entire electric systems in a few buildings. The wildest rumors spread; rumors that 11 men have leaped out of skyscraper windows, that brokerage houses are failing, that nearby hospitals are jammed with hysterical investors. In one customer's room there is a mad scurry for the doors and a cry of "shooting!" goes up when a photographer's flash bulb goes off.

Margin calls go out by sheaves. The solid citizens turn to what is left of their savings accounts (they had withdrawn $195,305,000 in the first six months of 1929), borrow from solvent friends or relatives if there are any, and swamp life insurance offices to cash in their policies. More than 100,000 policies are surrendered in Vermont, Indiana, New Jersey, Massachusetts and Illinois alone.

Some big outfits come to the rescue of employees hard pressed by margin calls. Standard Oil of New York offers to lend $43 a share to those of its workers who hold Socony securities. Samuel Insull, whose colossal utilities empire is to crumble two years hence, announces that he will back all employees who hold stock in his vast midwest utility combine. Julius Rosenwald, chairman of the board of Sears Roebuck, pledges his personal fortune to guarantee "the stock market accounts of his 40,000 employees, regardless of the stock issues involved." Comedian Eddie Cantor, his own fortune dissolving in the Goldman Sachs bubble, wires Mr. Rosenwald in mock seriousness: "Can you use a bright industrious office boy? I am ready to start at the bottom."

It's 1 P.M.—still Thursday—on the New York Stock Exchange clock. Outside the House of Morgan a

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The CONSUMER CREDIT

This survey of the consumer credit market was prepared by RUTH O'NEILL *of* BANKING'S *staff.*

Market Indications

BENJAMIN S. KATZ, president of Gruen Watch Company, says the watch industry should produce 10 million units during 1946, with sales of $400 million.

* *

A QUARTER of a million television sets should be distributed before the end of 1946, and the first impact of television on other media felt either late in 1946 or early 1947, declares J. R. Poppele, president of the Television Broadcasters Association and vice-president of the Bamberger Broadcasting Service. He does not believe television is a threat to the existence of other media as it will operate in a realm of its own, providing a unique form of entertainment, and will help create new wealth for the nation.

* *

A STUDY by Northwestern National Life Insurance Company concludes that, without touching the nation's vast backlog of savings, 1946 can provide out of current surplus family income, an enormously greater market for all kinds of prosperity goods and luxury items than any previous year.

Over 15 million U. S. families will have incomes of $2,500 or above in 1946; this is about twice as many as ever had this buying power in any preceding peacetime year. Twelve million families will have $3,000 or more. The "acceleration point" above which a rapidly increasing proportion of income is spent on prosperity goods is now $2,500.

The study also points out that high wartime incomes were financed largely by government-borrowed money, whereas probably by mid-1946 income levels will be entirely financed by industrial activity.

Nearly half of all U. S. families (the half which owns the bulk of $150 million in War Bonds and other savings) will have no need to dip into savings to be a market for consumer goods.

The study cites Lough's "high-level consumption" analyses, demonstrating that at living cost levels of 1913, $1,300 was the critical yearly income level, above which income was spent at an accelerating rate for nonnecessities. Using today's dollars, and after deduction of income taxes, a 1946 family of four must have a gross income of about $2,500 in order to net the equivalent buying power of the 1913 family with $1,300.

In the middle and late thirties, when the "acceleration level" income was between $1,800 and $1,850 it required $1,800–$1,850 to provide the necessities and comforts which $1,300 would pay for in 1913. Only one family out of four enjoyed an income above this level. Now the proportion is nearly one-half.

* *

In December 1945 total consumer instalment credit outstanding was $2,417 million; total consumer instalment loans, $1,514 million; total bank consumer instalment loans outstanding, $469 million.

Small Banks Like C. C.

SMALLER BANKS are also seeking information on the consumer credit field and the Fifth Third Union Trust Company, Cincinnati, a signatory bank of the National Sales Finance Plan, invited its correspondent and non-correspondent bank members of the plan to attend a three-day institute on all phases of personal loan and consumer credit financing. Talks and discussion were on the forum plan.

Twenty-five banks from a four-state area (Ohio, Kentucky, Indiana and West Virginia) sent 34 representatives to this first consumer credit institute in that region.

Bank Group-Credit Venture

A PHILADELPHIA bank group (Provident Trust Company, The Pennsylvania Company, and the First National Bank) has established a credit of $4.5 million for the manufacture of a new line of household appliances, under a special agreement with the Monitor Equipment Corporation of New York, its manufacturing sources and its nationwide organization of distributors. (Monitor is owned by its 60 distributors.)

Credit commitments will be given to 25 appliance manufacturers for products including refrigerators, vacuum cleaners, air-conditioning units, radios, heaters, home freezers, washers, ironing machines and a group of smaller products to be sold through some 5,000 household equipment dealers. Gross business in 1947 is expected to reach $30 million.

"The new credit agreement is unique," says W. Logan MacCoy, president of the Provident Trust Company, "in that it enables the banks to play a direct . . . part in the production of real goods and makes it possible for a group of business men to obtain the benefits of modern-day mass production through a cooperative enterprise."

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Trends

[illegible]

The author is professor of economics, New York University, and a member of the faculty of The Graduate School of Banking.

Selling goods to consumers on the "pay-as-you-use" basis is an old practice. There was an old Roman, named Crassus, so it is reported, who at one time owned almost half of ancient Rome and sold houses on the instalment plan. Of more recent origin, of course, is the development of instalment selling in the United States. Cowperthwaite and Sons, New York merchants, are the first on record to sell merchandise on regular time payments. This was in 1907.

Around 1850 the Singer Sewing Machine Company used instalment selling to encourage and facilitate the purchase of their sewing machines. The instalment purchase of books was next in line. By 1875, pianos were being sold on conditional sale contracts. From then on, with the development of mass production of durable goods, the "pay-as-you-go" idea had a gradual but slow growth. Our grandfathers still preferred to save before they spent.

It was not until the 1920's that mass selling of durable consumer goods, and of some not so durable, became an important institution in our economic life. Instalment financing of consumer purchasing took on the proportions of "big business." Automobile sales were, of course, the largest single item. There were very few families who did not purchase some article, an automobile, an electric iron, a radio, a living room chair, or what not, on "time." In fact it became so general and popular a practice that in some lines it was almost a social impropriety to buy for cash and some dealers were reluctant to encourage consumers in so reactionary a practice. Or was it that in instalment selling there were some hidden gains? In any case spending next month's income or next year's or two year's income now, to gain immediate possession and enjoyment, was the rule. "Spend before you save" became a new philosophy of living, a permanent feature of the American way of life.

When a new institution develops, particularly when it develops as rapidly as instalment selling, the structure usually is not in all respects solidly built. Free and easy practices are likely to be tolerated or passed over unnoticed. Partly this is due to ignorance; in this case, due in large part to the blissful unawareness of many consumers, dazzled by the new gadget and its shining metal, of just what they were paying for the financing they received. In part it was due to the failure of sellers and lenders to appreciate the implications of their policies and the dangers lurking there. In part also it was due to the disposition of the less scrupulous to take advantage of the "good hunting" instalment financing offered. Whatever the reasons, the fact was that the field of instalment selling was characterized by selling and lending practices which could not bear too searching an inquiry.

But this is another day. The period that lies ahead promises to be a feast for instalment selling and for the lending which makes it possible. American people, I think, are going to buy as they never bought before and are going to borrow to satisfy their hunger for goods. It will also be a period of temptation to lenders and sellers to set caution aside, to take full advantage of the opportunities, to wait until the next crash before taking thought about what they were doing while preparing their testimony before legislative commissions.

If abuses to an important extent develop, interven-

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The Consumer Credit Committee of the A.B.A. met in Chicago to discuss with manufacturers methods of financing appliance sales. *Left to right*, James P. Hickok, president, Manufacturers Bank & Trust Co., St. Louis; Carl M. Flora, chairman, Consumer Credit Committee; Walter B. French, deputy manager, A.B.A.; W. W. McCarthy, vice-president, National Shawmut Bank, Boston

More Uses for Bank Credit

PLANS of equipment manufacturers for financing sales of their products through consumer credit and remodeling loans were discussed at the recent Chicago meeting of the Consumer Credit Committee, American Bankers Association.

Representatives of International Harvester Company, Westinghouse Electric Corporation, and Pittsburgh Plate Glass Company considered with the committee members the question of bank loans for prospective purchasers of farm machinery, appliances, modern store fronts and other improvements.

Illustrative of the interest large manufacturers are showing in the prospects of bank financing of their products was the announcement made by the International Harvester Company that it will seek to finance through banks, sales of the company's products which are sold through dealers. (See page 58, Country Banker Section). F. W. Jenks, vice-president of the company, said: "International Harvester Company is a manufacturing and selling organization. For many years we have financed time sales where necessary as an aid to sales. We believe, however, that the logical man to finance these sales is the local banker."

The company was represented at the consumer credit meeting by F. B. Mattingly, manager of its credit and collection department. Other manufacturers' representatives included J. M. McKibbin, assistant to the vice-president, Westinghouse Electric Corporation, Pittsburgh, and Powers Pace of the Pittsburgh Plate Glass Company, Pittsburgh. Also present was Ralph West, assistant vice-president, Marsh & McLennan, insurance specialists, who will advise insurance companies which will protect banks engaged in instalment sales financing.

Members of the A.B.A. committee were impressed by the fact that consumer credit is a banking problem that has many aspects. From a banking viewpoint, the committee discussed the need for the broad educational program to guide bankers in the use of correspondent bank relationships. There is a need among banks for executives and directors to be informed about instalment loans, and there is a big field for cooperation between the A.B.A. and state associations in advising their members of the forms to be used in making instalment loans.

The Consumer Credit Committee, from a national viewpoint, will study banking operations with a view toward simplifying the forms to be used, and will advise individual banks to seek information from their state associations as to state and local laws with which the forms they use must comply. The committee will also continue to cooperate with trade associations and with manufacturers to devise arrangements whereby banks can finance dealers and individual purchasers of products.

"Consumer credit is a real bank function," Mr. Flora asserts. "These loans provide for the use of bank credit by the average citizen, and if we handle ourselves well in this field, we will perform an important service to the public, which is another step in the protection of chartered banking. It is important that the banks which enter this field know and thoroughly understand the operations and the costs involved.

"One of the most important parts of our bank program is the extension of credit to the small business man which will give him the same advantage of the 'term loan principle' of borrowing that has been enjoyed by large business enterprises. These loans can be arranged on the basis of business operations and can be paid out of current income."

THE committee announced that it is in agreement with the program of the Better Business Bureaus, which advocates that conditional sales contracts for the purchase of automobiles on time shall always show in dollars and cents, and as a separate item, the amount of the finance charge and the total charge for insurance and type of coverage. The committee also announced that it believes that in automobile instalment loans all charges should be reasonable and equitable under all conditions, which is in accord with the Consumer Credit Creed.

R. L. Ledterman, chairman of the Postwar Planning Committee of the National Automobile Dealers Association of Tulsa, Oklahoma, and Lou Milan, secretary of the Wisconsin State Automobile Dealers Association, Milwaukee, discussed automobile financing with the committee, and the bankers were told that banks will have to prove themselves in the financing of automobiles.

On the basis of survey figures, it is indicated that 10,500 of the banks will make personal loans and that approximately 8,000 banks will finance time sales of goods and equipment either direct to the purchaser or indirect through dealers. Ninety-four hundred banks will make automobile loans either direct or indirect, 5,100 banks will make FHA Title I loans, and 7,900 banks will make modernization loans to owners of business or residential property.

Bankers and equipment manufacturers at the Consumer Credit Committee meeting in Chicago—*below, left*, John B. Paddi, Manufacturers Trust Co., New York; Frank P. Powers, Kanabec State Bank, Mora, Minn.; and Powers Pace, Pittsburgh Plate Glass Co., Pittsburgh; *right*, Lehman Plummer, Central National Bank & Trust Co., Des Moines; J. M. McKibbin, Westinghouse Electric Corp., Pittsburgh; and Clyde C. Shively, State Industrial Bank, Columbus, Ohio

How Would Bank Stocks Meet Inflation?

JAMES W. WOOSTER, JR.

We asked MR. WOOSTER, *a New York authority on bank capitalization, what he thought would be the prospects for bank stocks in the event of a severe inflation. Here are his views.*

BANK officers and bank stockholders, both large and small, are becoming increasingly cognizant of the necessity for appraising the effects on bank capital of further possible steps in the direction of inflation.

A short time ago when this question came up for discussion here at the office we worked out a "balance sheet" in which were listed in the "plus" column those factors which should make bank stocks a relatively attractive investment during an inflationary period; in the "minus" column unfavorable aspects of a commitment in bank shares were tabulated. Striking a balance between the two sets of factors, it was concluded that the "plus" elements held an edge over the "minus." The analytical process which led to this point of view was as follows:

We started to try to determine whether the ownership of bank capital would be a desirable investment under inflationary conditions; we came to the conclusion that a strong, well managed bank should be able to make money and survive under almost every conceivable condition, but that ownership of an undercapitalized, loosely run bank would not be a desirable investment no matter how auspicious the general business situation might be.

THERE is probably no other word in the English language which means so many different things to so many different people as the word "inflation." From the standpoint of an owner of bank stocks, trying to evaluate the status of his investment during the next year or two, an inflationary period was defined as one of active business during which the demand for goods would be greater than the supply, accompanied by a generally rising price level, at the rate of possibly 10 per cent annually.

There is no perfect "inflation hedge," and the investor who concentrates his attention on trying to assure himself protection against all possible contingencies, however extreme, may find he has been chasing a "will o' the wisp," and, in the process, has actually sacrificed such protection as he could have obtained against more realistic probabilities.

Under the conditions assumed above of a substantial but limited deterioration in the purchasing power of the dollar, accompanied by a high level of business activity, it is inevitable that the ownership of certain types of business would be preferable to ownership of other types. It was in an attempt to determine where the business of banking fitted into such an over-all picture that the following "balance sheet" was set up:

Unfavorable Elements

(1) *Absence of any substantial ownership of tangible assets.* Aside from a relatively small investment in bank premises, furniture and fixtures, most bank assets are of a non-tangible nature. The paper on which bonds and paper currency are printed is of insignificant intrinsic value. The real value of this paper is what it will command in exchange for tangible goods—food, shelter, transportation, clothing and the like. An oil well, an iron mine, a farm, all possess a basic, functional value that endures, no matter how wild the gyrations of the monetary unit in which their exchange value is expressed. A bank possesses few, if any, assets of this type.

(2) *During a period of inflation bank operating costs would rise substantially.* The largest single item of bank expense is salaries and wages. In order to retain trained operating personnel it would be necessary to increase bank salaries, which already are low in relation to comparable occupations, at a rate at least equal to the increase in the general price level.

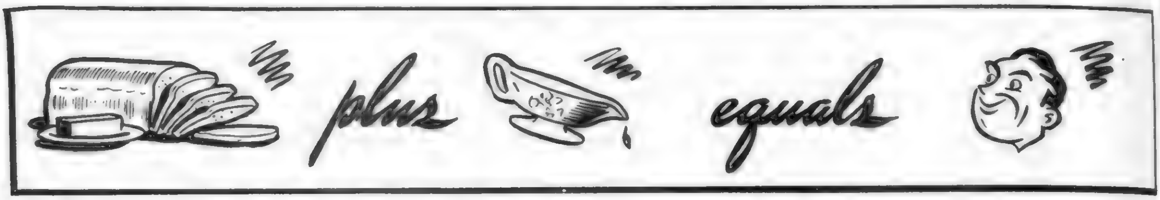
(3) *During the past 12 years, and particularly during the war years, there has taken place an enormous inflation in one segment of the economy with which banks are vitally concerned, namely, bank deposits.* Since capital accounts have not been able to keep pace with this rate of growth, bank capital has become a smaller and smaller proportion of bank assets. This more junior position has placed the stockholders' equity in a more vulnerable position. Any further inflation in bank deposits would accentuate this increasing exposure of bank capital to possible unfavorable developments.

(4) *As long as bank assets remain preponderantly in "riskless" U. S. Government bonds, this less conservative relationship between bank capital and total bank deposits is chiefly of academic, rather than practical significance.* But with any further substantial inflation in the price level there will probably occur not only an increase in the quantity of "risk" assets (commercial loans of weekly reporting member banks on February 20, 1946 were almost $1 billion greater than a year previous), but also a decrease in the quality. (As the price level advances new loans are made upon the basis of new and higher values of real estate, inventories and securities. Such loans involve more risk than loans made previously based on more conservative asset valuations).

(CONTINUED ON PAGE 124)

Gravy for the Bank Customer

Many businesses have plus services in normal times which fail to stand up during war conditions and during a seller's market such as we now have. Banking renders more than its share of free service under any conditions. The bread-and-butter part of banking — the income producing function — is fairly evident to almost everyone. But the gravy for the bank customer — the plus service — is often hidden because it is taken for granted. Let's expose a few transactions by means of a chart, using Mr. B as a typical banker, and see how it all adds up.



1. This is the owner of a chenille products plant. He can sell as many chenille bedspreads and rugs as he can make. He is borrowing money to buy additional equipment

2. Mr. B is introducing our owner to his very close friend, a yarn manufacturer, who, under the persuasion of Mr. B, agrees to supply the man with ample quantities of yarn

3. The result: booming business for the chenille man

4. An ex-soldier is getting a GI loan to purchase a house. From the banking point of view, this lad is a good investment

5. Here is Mr. B giving the veteran further information about the GI Bill of Rights

6. A confident, well-informed veteran in the luxurious peace and quiet of his own home

7. Mr. B is administering a trust for this aged widow. It is a good account for the bank

8. One Sunday every month Mr. B picks up the lady at church and takes her to the cemetery where she tends the grave of her late husband

9. A beautiful touch of sentiment in the declining years of a lovely lady

J. WILL IRWIN *and* BOB KIRKPATRICK

10. This man utilizes most of Mr. B's commercial banking services. His big reconversion problem is manpower

11. Mr. B arranges an interview between the business man and a veteran who has the skills required in this business

12. The veteran gets a good job and the business man gets a productive employee

13. A man starts a savings account for his baby daughter

14. Mr. B recommends an insurance policy, supplementing the savings account, to provide for the daughter's education

15. Three people benefit by this plan: the man, his daughter and the life underwriter who writes the policy

16. This man rents a safe deposit box. The box is full and no more boxes are available to fully serve his needs

17. Mr. B suggests that he place his will in the bank's will file, gratis, thereby gaining a little room in the safe deposit box

18. A very small plus service, but one that is much appreciated

19. A writer utilizes the usual bank services of Mr. B's bank

20. Mr. B advises the writer in regard to subject matter for a story

21. Result: a cartoon story in BANKING magazine.

WHAT DOES IT ALL ADD UP TO?

Sub-total

This column adds up to a profitable banking business

Sub-total

This column: added service to bank customers

Grand Total

Satisfied citizens because of a banker's unselfish cooperation

Will Study National Debt

THE management of the $275 billion national debt and its effect on the common welfare will be the subject of extensive research by a newly-formed Committee on Public Debt Policy. The committee, to be financed by the Falk Foundation, of Pittsburgh, has been announced by W. Randolph Burgess, vice-chairman of the National City Bank of New York and a past president of the American Bankers Association, who will serve as chairman. The Falk Foundation has contributed $100,000 for the study.

The committee will be composed of men prominent in life insurance, commercial banks, savings banks, business and universities. It will have as consultants and research workers a group of economists both from universities and from fields of practical experience. A full-time staff will be maintained with offices in The Mutual Life Building, 34 Nassau Street, New York. In addition members of the committee and their consultants will participate in preparation of reports.

The general pattern of the study will be similar to the tax study published under the caption "A Tax Program for a Solvent America," which was also financed by the Falk Foundation. The foundation will assume no responsibility for the statements or views expressed by the committee, and the committee has full freedom of inquiry and expression.

Chairman Burgess

What the Study Will Cover

THE committee proposes to publish its study of this problem and its recommendations in a series of short, simply written pamphlets, for wide circulation, which eventually will be gathered together into a bound volume. The committee will explore various aspects of the public debt and its relation to the American economy. The implications of the debt to prices, to the purchasing power of money and savings, its effects upon economic incentives and the policy as to interest rates, floating debt and debt retirement will be given special attention. In addition, the interrelationship of the debt and financial institutions such as savings banks, commercial banks, life insurance companies and trust funds will be probed by experienced research personnel and reviewed by the committee.

Meetings of members of the committee and their staff and advisors will be held two or three times a month during the next several months while its work is under way. This method of operations, Mr. Burgess said, is intended to bring to bear the many varying points of view represented on the committee and among its advisors, and result in the formulation of appropriate and clear-cut recommendations.

John S. Sinclair, executive vice-president of the New York Life Insurance Company, will serve as vice-chairman of the committee; and Donald B. Woodward, research assistant to the president of The Mutual Life Insurance Company of New York, will be secretary.

Other members of the committee are as follows: General Leonard P. Ayres, vice-president, The Cleveland Trust Company, Cleveland, Ohio; Daniel W. Bell, president of The American Security Trust Company of Washington, D. C., and former Under-Secretary of the Treasury; E. E. Brown, president of The First National Bank of Chicago; Lewis W. Douglas, president of The Mutual Life Insurance Company of New York; Marion B. Folsom, treasurer of the Eastman Kodak Company, Rochester, New York; Robert L. Garner, financial vice-president of the General Foods Corporation, New York City.

Harold M. Groves, professor of economics, University of Wisconsin, Madison, Wisconsin; Wesley C. Mitchell, professor emeritus of economics, Columbia University; B. U. Ratchford, professor of economics, Duke University, Durham, North Carolina; Earl B. Schwulst, executive vice-president of The Bowery Savings Bank, New York City; G. Willard Smith, president of The New England Mutual Life Insurance Company; Levi B. Smith, president of the Burlington Savings Bank, Burlington, Vermont; and A. L. M. Wiggins, businessman and banker of Hartsville, South Carolina.

Consultants to the committee include: Professor C. C. Abbott, Graduate School of Business Administration, Harvard University; Sherwin Badger, financial secretary of The New England Mutual Life Insurance Company; Professor B. H. Beckhart, Columbia University and director of research of The Chase National Bank; Professor Jules Bogen, New York University and editor

(CONTINUED ON PAGE 123)

U. S. DEPARTMENT OF AGRICULTURE

A Service Charge Plan for Country Banks

GEORGE R. AMY

This article is based on a study of checking account service charges recently completed by the Country Bank Operations Commission of the American Bankers Association. MR. AMY *is secretary of the Commission, whose Service Charge Committee made the study. The complete study is published in a manual, illustrated with charts and tables, which is being sent to all Association members.*

LOWER earnings from invested funds and higher operating costs of present-day banking certainly justify bank charges for out-of-pocket expenses involved in the servicing of checking accounts.

Many banks, however, still do not have service charges adequate to reimburse them for such out-of-pocket expenses, let alone show a profit on their checking account operations. This fact was clearly indicated in the course of the Commission's cost analysis program.

Keenly aware of this need for fair and adequate service charges, particularly in the smaller banks, the Commission has recently completed a comprehensive study of service charges. The problem was the development of a service charge plan that would suit the purposes and problems of the small banks. In this study extensive use was made of facts available from the Commission's cost analysis survey of more than 3,000 country banks.

The simplified service charge plan recommended for the country banks is based on fairness, simplicity and uniformity—fairness to the depositor and the banks; simplicity in calculation and use; and uniformity from the standpoint of method used. The Commission does not advocate uniformity of rates and earnings allowances because of the great variations of operating costs and incomes between individual banks.

The Commission feels that uniformity should be limited to the *method* used, with the individual banks adopting rates applicable to their own operations. A bank with unusually high operating costs should, rather than charge on the basis of costs, strive to reduce these costs. Competition, in banking, as in all other fields, should be a dominant factor in the establishment of rates. These rates should be based, not necessarily on costs, but on a thorough knowledge of costs.

Where there are inequities in the use of a simplified analysis plan on certain few accounts in country banks, it is suggested full analysis be used.

This simplified plan is divided into three parts: (1) Maintenance factor; (2) the *same per-item* rate for ledger entries, including checks paid and deposits made, and out-of-town items in deposits except bank money orders and travelers checks; (3) an earnings credit or allowance based on the minimum monthly balance.

Now for a brief explanation of these three analysis steps:

Maintenance Factor

There is a basis cost in the handling of every account irrespective of size or activity. This cost includes rendering statements, balancing ledgers, ledger sheets, pass books, portion of vault expense, portion of rent-heat-light-depreciation and other overhead, administrative expenses, and cost of maintaining personnel *ready to serve* at all times. The maintenance costs in a bank have been likened to those of a public utility company; plant and equipment, investment and tax obligations exist irrespective of individual service activity.

Per-Item Rate

This part of the plan calls for the same rate for each of these items although costs differ and activity varies. The handling of deposits is the most costly of these items and is, for that reason, hard to "sell" to customers. It has, therefore, been the custom either to make no charge or set a rate substantially less than cost for deposit activity. In this method deposits are treated as ledger entries which affords a salable rate for them.

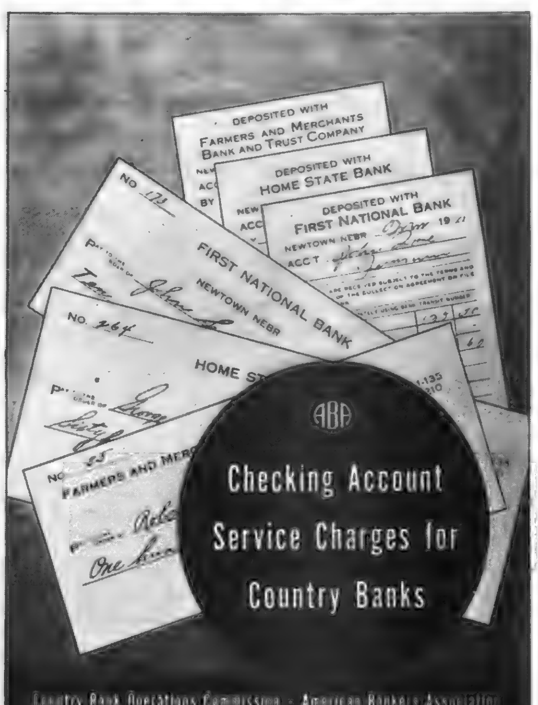
Since the "on-us" check represents the most active of the items in this group its cost should be a dominant factor in establishing the rate to be charged in this part of the analysis. The total cost of handling checks paid, deposits made, and out-of-town checks deposited for the year, divided by the total number of items handled in these three groups, will provide the average per-item cost figure. The following is an illustration of average activity and cost figures as shown by the results of the cost analysis of over 3,000 country banks for the year 1944. These average activity figures were applied to a bank carrying 500 checking accounts.

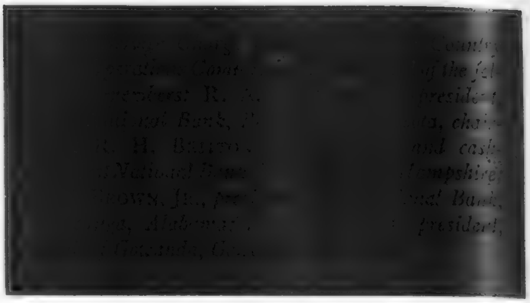
Average Activity For Year		*Average Per Item Cost*	*Total Cost*
9,805 deposit tickets..........	@	11 cents	$1,078.55
52,595 "on-us" checks paid.....	@	5½ cents	2,892.67
26,000 remittance items (out-of-town checks)............	@	4 cents	1,040.00
88,400 items handled			$5,011.22

$5,011.22 (total cost) ÷ 88,400 (total items handled) = .056 cents average cost per item

Therefore, in this hypothetical case, the average cost

The service charge manual





of handling each of the ledger entries and out-of-town checks was .056 cents. This figure should not be construed as representing the Commission's opinion as to what the rate should be in the average case. As a matter of fact, our statistical analysis indicates that in many instances the above rate would be unfair to the public.

Earnings Credit or Allowance Minimum Balance

Use of minimum balances is becoming widespread, and experience reported by a large number of banks in all parts of the country has been highly satisfactory from both the depositors' and the bank's point of view. There are several important reasons for following this method. The minimum balance is the amount that is available for investment in a certain account. Each account is analyzed individually and proponents of this plan say that *A* has no right to profit from the fact that when his balance decreases, *B's* account happened to increase. The minimum balance plan is simple and easily understood by customers and readily applied by the bank staff with relatively little time and effort.

It is obvious that the minimum balance can be quickly spotted on the ledger sheet. Moreover, no deductions for float and reserve are made. It is consistent with the method used to compute interest on savings accounts. Surveys covering large groups of accounts indicate that in the aggregate, minimum balances are approximately 25 per cent less than average balances. This 25 per cent difference may be considered a close approximation to deductions for float and reserve where average balances are used.

It is a customary time-saving practice, in the application of minimum balances as the basis for earnings allowance, to list the earnings credit as a certain number of cents earned each month per $100 of minimum balances:

Per Cent Earnings-Allowance		
.96%	=	8¢ per-mo. allowance for each $100 of minimum balance maintained
1.08%	=	9¢ per-mo. allowance for each $100 of minimum balance maintained
1.2 %	=	10¢ per-mo. allowance for each $100 of minimum balance maintained
1.32%	=	11¢ per-mo. allowance for each $100 of minimum balance maintained

The Commission's cost survey for 1944 showed an average yield on demand deposits of 1.438 per cent or 11.8 cents per month per $100. This figure, of course, makes no allowance for profit or adequate reserves for losses. If such a deduction were made this rate might be reduced by approximately three-tenths of 1 per cent, making it slightly in excess of 1 per cent.

How to Apply the Service Charge Plan

ONE of the outstanding features recommending this service charge method is its ready adaptability in any country bank regardless of size. Here is a brief explanation of its operations:

(1) Keeping track of Transit Items

When a deposit is received the teller should write the number of transit items (out-of-town items) in large figures, preferably with a colored pencil, on the deposit slip. In larger country banks the proof department could do this work.

From this point on there are four different methods to consider.

(A) At the time of posting the bookkeeper should jot down the number of transit items in pencil or ink next to the deposit figure on the ledger sheet; or later, a clerk could do this work.

(B) Some banks keep a monthly record of transit items (in number, not amount, in simplified analysis) on an individual service charge slip for each depositor depositing such items. It is common practice also to use this slip for the purpose of making the service charge calculation at the end of the month.

(C) Another popular method is the use of a semi-annual service charge record sheet which is posted daily from the deposit slips.

(D) Banks which use the wide-carriage type bookkeeping machine, and statement sheets with an attached stub for account analysis, find it a simple matter to record the number of transit items in one column and use one of the other columns for recording the number of deposits received.

(2) Calculating the Service Charge

At the end of the month, or shortly thereafter:

(A) Count the transit items and ledger entries (checks paid and deposits made)

(B) Multiply by rate to arrive at total item cost.

(C) Add maintenance factor (which can be printed on monthly slip, semi-annual record

(CONTINUED ON PAGE 122)

SERVICE CHARGE CHART

MAINTENANCE FACTOR 50c
ITEM RATE, including Ledger Entries (Checks and Deposits) and Transit Items 5c
EARNING ALLOWANCE per $100 of Minimum Balance in Even Hundreds .... 10¢

MINIMUM BALANCE	Over / Under	0 / 100	100 / 200	200 / 300	300 / 400	400 / 500	500 / 600	600 / 700	700 / 800	800 / 900	900 / 1000	1000 / 1100	1100 / 1200	1200 / 1300
EARNING ALLOWANCE		0	.10	.20	.30	.40	.50	.60	.70	.80	.90	1.00	1.10	1.20
No. of Items	Item Charge													
1	.05	.55	.45	.35	.25	.15	.05							
2	.10	.60	.50	.40	.30	.20	.10							
3	.15	.65	.55	.45	.35	.25	.15	.05						
4	.20	.70	.60	.50	.40	.30	.20	.10						
5	.25	.75	.65	.55	.45	.35	.25	.15	.05					
6	.30	.80	.70	.60	.50	.40	.30	.20	.10					
7	.35	.85	.75	.65	.55	.45	.35	.25	.15	.05				
8	.40	.90	.80	.70	.60	.50	.40	.30	.20	.10				
9	.45	.95	.85	.75	.65	.55	.45	.35	.25	.15	.05			
10	.50	1.00	.90	.80	.70	.60	.50	.40	.30	.20	.10			
11	.55	1.05	.95	.85	.75	.65	.55	.45	.35	.25	.15	.05		
12	.60	1.10	1.00	.90	.80	.70	.60	.50	.40	.30	.20	.10		
13	.65	1.15	1.05	.95	.85	.75	.65	.55	.45	.35	.25	.15	.05	
14	.70	1.20	1.10	1.00	.90	.80	.70	.60	.50	.40	.30	.20	.10	
15	.75	1.25	1.15	1.05	.95	.85	.75	.65	.55	.45	.35	.25	.15	.05
16	.80	1.30	1.20	1.10	1.00	.90	.80	.70	.60	.50	.40	.30	.20	.10
17	.85	1.35	1.25	1.15	1.05	.95	.85	.75	.65	.55	.45	.35	.25	.15
18	.90	1.40	1.30	1.20	1.10	1.00	.90	.80	.70	.60	.50	.40	.30	.20
19	.95	1.45	1.35	1.25	1.15	1.05	.95	.85	.75	.65	.55	.45	.35	.25
20	1.00	1.50	1.40	1.30	1.20	1.10	1.00	.90	.80	.70	.60	.50	.40	.30
21	1.05	1.55	1.45	1.35	1.25	1.15	1.05	.95	.85	.75	.65	.55	.45	.35
22	1.10	1.60	1.50	1.40	1.30	1.20	1.10	1.00	.90	.80	.70	.60	.50	.40
23	1.15	1.65	1.55	1.45	1.35	1.25	1.15	1.05	.95	.85	.75	.65	.55	.45
24	1.20	1.70	1.60	1.50	1.40	1.30	1.20	1.10	1.00	.90	.80	.70	.60	.50
25	1.25	1.75	1.65	1.55	1.45	1.35	1.25	1.15	1.05	.95	.85	.75	.65	.55

How One County Grew More Food

HAROLD SEVERSON

MR. SEVERSON *is associate editor of the Southern Agriculturist.*

THIS is the story of a rural banker in one of Tennessee's ruggedly beautiful mountain counties. He's a dynamic, aggressive sort of a person, bent on fully developing the agricultural resources of his section—a man equally at home in a bankers' convention or discussing farm problems with plain dirt farmers. He is Roby J. Howard, cashier of the Farmers' State Bank of Mountain City in Johnson County close by the Virginia-North Carolina line.

This, too, is partially the story of a farmers' cooperative marketing association which Roby Howard helped organize. It's the story of how this country banker teamed up with farmers to solve some tough problems centering around new crops and the marketing of them.

Twenty-five years ago Johnson County was principally a livestock section. Cattle was the main money "crop" for these mountain people. Even this was operated on a small scale in comparison with livestock producers in other parts of the country. There was little incentive for raising tobacco, while cotton was out of the question because of the rigorous climate. Vegetable production was limited to kitchen gardens. Farm incomes slumped. That affected practically everybody in Johnson County including the business and professional people. It was strictly an agricultural county with no industries whatsoever.

Bahama negroes harvesting beans in Johnson County

Roby J. Howard altered that situation, however. A native of Johnson County, he was keenly aware that his people needed new sources of income.

He started the drive back in 1926. At that time there were three banks in the county and Mr. Howard's bank headed a subscription drive to obtain the services of a county agricultural agent. He took the initiative in endeavoring to get the county court to appropriate money for the county agent. The court refused to comply, however. Undaunted, the bankers went ahead and hired one. His name was H. L. Miller and he was well worth the cost.

That set the ball rolling. One of the first steps toward better farm incomes was to interest the farmers in burley tobacco. It was a new crop for most of them and they shied away.

"It looked like we were licked before we started," commented Mr. Howard. "Then we got an idea. We bought hundreds of small paper envelopes filled with a half ounce of seed. Then we began handing them out as gifts to every farmer who would agree to plant at least a half acre of tobacco."

TOBACCO proved an ideal crop for Johnson County farmers. Farms are comparatively small in that area. In that county, only half of the area is in farmland and only 12 per cent in harvested cropland. An acre of tobacco, however, represents a sizable cash return.

Their next move was a venture in growing of Irish potatoes. That, too, was in 1926, a memorable date in Johnson County's agricultural history. That year a small group of progressive farmers, aided by Mr. Howard and Mr. Miller, purchased two carloads of certified Green Mountain seed potatoes. Farmers plowed up pastures and planted this new crop. For the next few years they produced potatoes of excellent quality. They carefully graded them and sold large quantities on surrounding markets for 10 to 15 cents per bag above quoted prices.

Then trouble reared its ugly head for the first, but not, unfortunately, for the last time. It came in the form of truckers. They flocked into Johnson County and began buying loads of potatoes. They began paying 10 to 15 cents more per bushel for a load here and there. No orderly system of marketing existed, so the truckers were in a position to flood first one market and then another. Soon both demand and price had vanished.

"Those buyers were just about dry-cleaning us," commented Banker-Farmer Howard who suffered with the potato growers. "The same thing happened when we began growing cabbage on a large scale. We made a real attempt to grow a quality type of cabbage and at first we received from $2 to $5 more above the market price.

Four-H Club members from several counties were recruited for assistance in harvesting the Johnson County bean harvest, one of the new crops which Banker Howard was instrumental in introducing in his Tennessee area as a means of improving the farmers' income

"Then," he continued, "our cabbage market was wrecked. We couldn't handle the buyers. They could juggle the prices to suit themselves."

A situation like that was bound to dishearten anybody—but not a few leaders like Mr. Howard and the Mount brothers over at Shouns, a nearby community. They became interested in snap beans and found it a profitable business. Johnson County, they learned, was ideally adapted to the production of this crop. The soil was excellent, there was plenty of rainfall, and the cool nights set the Mexican bean beetle seeking shelter early in Summer.

The bean crop started eight years ago with about 200 acres producing about 30,000 bushels. These were sold at 50 cents a bushel, or a total of $15,000. By 1942 the acreage had jumped to 3,500 acres which produced approximately 525,000 bushels that sold for an average of $1.20 a bushel or a total of $630,000. In 1943 the acreage had expanded to 6,500 acres and the yield to 600,000 bushels. An extremely dry season was responsible for the slump in yields, for a normal rainfall would have resulted in nearly a million-bushel yield.

ONCE again the farmers were being balked by lack of marketing knowledge. At the auction markets in Mountain City they were receiving only $1.25 per bushel while the commission buyers in Baltimore, Maryland, and other eastern markets were paying from $3.25 to $3.75 per bushel for beans. Official reports from representatives of the Department of Agriculture and the Tennessee Extension Service showed that the buyers were netting from $1 to $1.75 per bushel. This meant they were getting as much per bushel as the farmer who had gone to the trouble of breaking his land, planting seed, cultivating, dusting and picking and hauling the crop to market.

This situation naturally irked the farmers. Only a few knew what to do and among this small group was Roby J. Howard. They consulted with specialists of the Tennessee Extension Service on developing of better marketing facilities and finally decided to set up a cooperative marketing association. They induced 50 farmers to contribute $200 each and organized the Tri-State Bean Growers Cooperative Association with Mr. Howard as president. That was in 1943 with a 600,000-bushel crop ready to sell.

The reaction of the buyers was quick and spirited. Five of them put up $1,000 each to form a $5,000 pool. The idea behind this move was to penalize the first buyer who would buy beans put up for sale by members of the Tri-State Growers.

Fortunately for the members of this cooperative, they were stronger than the buyers. That year they sold 217,000 bushels of beans at a cost of five cents per bushel. The prices received at Mountain City were still 35 cents less per bushel than the prices paid on eastern markets, but it was a step in the right direction. It was estimated by one of the Tennessee Extension Service staff that about $300,000 extra was received by Johnson County farmers as a result of the cooperative's action.

Today the Tri-State Growers is in a very sound condition. Its warehouse is equipped with modern bean graders and it sells such supplies as seed, fertilizers and insecticides to its members at greatly reduced prices. It now has about 400 members. Last year it sold about 425,000 bushels of beans for an average of $1.82 per bushel. This represents about 60 to 65 per cent of all beans sold on the open market in the county. A few of the growers still sell their beans in the field.

Largely through Mr. Howard's effort, Johnson County now has the services of a county agent and his assistant, a full-time man who helped farmers with selective service questionnaires during the war years, a home demonstration agent, two soil experts analyzing the soil on all farms in the county, and a full-time office assistant. In addition, he was responsible for a $20,000 expenditure by the Extension Service for recruiting and handling imported labor to pick the bean crops.

Mr. Howard spread tobacco growing literally all over the county with nearly every farmer now having a tobacco allotment. He and the county agents worked to get the farmers to standardize on growing of potatoes, cabbages and snap beans.

"Our farmers were ready when war came and the demand for additional foods became intense," Mr.

(CONTINUED ON PAGE 122)

Loans to Improve Farm Buildings

VAN B. HART

Here is another article by the extension professor in farm management at the New York State College of Agriculture, Cornell University, on the general subject of ways for country banks to build business.

A COUPLE of thousand years ago Cato said: "In his youth, the farmer ought, diligently, to plant his land but he should ponder before he builds . . . when you do build, let your buildings be proportioned to your estate, and your estate to your buildings."

To the excellent advice given by Cato might be added that buildings, while necessary on a farm, do not produce crops, give milk or lay eggs. The only way a farmer can get a financial return from investing in a new building or in fixing over an old one is if it results in saving labor or in increasing returns from crops or livestock.

At the present time there is a big backlog of badly needed farm building repairs and improvements. Normally each generation of farmers spends just about enough to keep their buildings in repair and also adds some improvements for the next generation. During the 10 years just before World War II, however, farm incomes were not high enough on most farms to provide a living and pay for building repairs and improvements; so they just were not made. Later when higher wartime incomes gave farmers the money to make repairs and improvements, materials and labor were not available.

Between the Devil and the Deep Blue Sea

Farmers are now faced with the greatest need for making building repairs and improvements and the highest construction costs in history. What then should be the policy of farmers and country bankers with respect to loans to repair and improve farm buildings? A sound answer would seem to be to concentrate on protective repairs like roofs and foundations and on improvements that will save labor.

Many farm buildings need rearranging. The heavy-timbered barn which grandfather "raised" with the help of his neighbors and a barrel of cider may have been a great barn in the days of horse-drawn machinery, hand methods, and cheap labor. But with gasoline, electricity, and higher labor costs, many of these horse-and-buggy-day barns, while still solid as the day they were pinned together, waste a lot of labor.

Many of our dairy barns were not built so as to permit driving through between two rooms of cows with a manure spreader and tractor. On one such 30-cow farm which the author visited, the farmer and his hired man were pushing a wheel barrow just over 100 miles per Winter to get out the manure. This may not have been serious when a hired man got $20 a month. But good hired men in that community are now getting around $1,000. An expenditure of less than $1,000 would have fixed the stable on this farm so the manure could be taken out with a tractor and spreader, both of which the farmer already owned. Many examples of where remodeling farm buildings would save a large amount of labor are to be found in all parts of the country. Loans to finance such improvements are good investments for both bankers and farmers.

A. M. GOODMAN, CORNELL UNIVERSITY

Loans to remodel barns to meet present needs offer a good field for investment

Loans to Improve Farm Homes

A farm is a combination of a home and a business. Many farm operations like cleaning and packing eggs, washing dairy utensils, and preparing products for sale and home consumption are done in the farm house. The "hired girl" who used to help with such jobs has gone the way of the family maid in the city. Spending money to put the farm house in shape to save labor is equally as good an investment as doing the same for the barns. It will take millions of dollars to pay for the water systems, bathrooms, electrical installations, laundry facilities, and other labor-saving improvements needed in our farm homes. The income on a good farm will pay for these—but not out of one milk or egg check. This means credit from some one.

Cash or Credit

Farmers now have some good nest eggs of War Bonds. When purchased many of these bonds were earmarked for some specific repairs or improvements. But indications are that farmers want to hang onto those bonds like a puppy to a root. The difference between the interest they get on the bonds and what they pay on a bank loan seems of far less concern to farmers than the fact that holding the bonds means having a safe liquid reserve. Country bankers may well capitalize on this situation by encouraging farmers to keep their bonds, borrow to make repairs and improvements, and pay back out of operating income.

Farmers' Day at Elkin

THE Fourth Annual Farmers' Day program at Elkin, North Carolina, drew more than 1,000 livestock raisers from four northwestern counties to hear suggestions from experts on improved farming methods, and an address on "The American Way of Life," by Dr. William A. Irwin, national educational director of the American Institute of Banking.

The meeting, under the direction of the Elkin Agricultural Council, of which Mayor Garland Johnson, president of the Bank of Elkin, is chairman, and the sponsorship of the Elkin Junior Chamber of Commerce, Kiwanis Club and Lions Club, attracted prominent agricultural, political and banking leaders of the state. Well-known guests and speakers included former Governor J. Melville Broughton; W. H. Neal, vice-president of the Wachovia Bank and Trust Company, Winston-Salem; Dr. T. B. Hutcheson, dean of agriculture at Virginia Polytechnic Institute; and Dr. J. H. Hilton, head of the Department of Animal Industry, State College, Raleigh.

A display of pictures used by The Bank of Elkin in its general newspaper advertising program, and featuring the soil conservation theme, attracted widespread attention.

The emphasis at the meeting was on making the northwest section of North Carolina into a livestock center. At the afternoon meeting, at which Frank H. Jeter, state college agricultural editor, presided, Dr. Hutcheson discussed economical crop production as related to livestock. He told his listeners that his trip into North Carolina had convinced him farmers of the area were like the patient advised by his doctor to take a certain number of pills and a small amount of whiskey daily. This patient, seeing his doctor later, confessed that while he was a little behind on the pills he was 'way ahead on the whiskey.

"My trip down from Stuart, Virginia, convinced me," Dr. Hutcheson said, "that while you may be ahead in many respects you are a wee bit behind on livestock." He outlined to the farmers methods by which they could bring about a balance and survive at the same time.

Dr. Hilton carried the discussion a step further, mentioning what he considers the essentials in livestock development in the northwest area. At the top he placed sound markets; next, the production of feed; then land improvement and rigid disease control.

The farmers participated in sectional discussions on soil conservation service and water control, grass and forage, crop improvement, dairying, beef cattle, poultry, and other topics.

The Farmers' Day Program at Elkin received wide publicity in the state of North Carolina, and recognition of its value as a public service. Clippings below are from the *Greensboro Daily News*. Shown in the photograph are, *left to right*, Mayor Garland Johnson, Dr. William A. Irwin, and Clyde Carroll.

Farmers' Meeting At Elkin Draws 1,000 Stock Raisers

By J. P. HUSKINS
(Daily News Staff Writer)

ELKIN, March 7 — Northwest farmers, meeting here today 1,000 strong in their fourth annual session heard 300 suggestions from the experts ... how to improve their ... heard from a ... meant ... county agent, with Frank H. Jeter, State college agriculture editor, presiding, two speakers were heard.

Economical Production

Dr. T. B. Hutcheson, dean of agriculture, Virginia Polytechnic institute, Blacksburg, discussed economical crop production as related to ... stock. He told his listeners that ... North Carolina ...

Next to sound markets he placed the production of feed. The northwest area, he said, has 82,000 acres in pasture and 83,000 acres in the production of hay — or about half enough in each category.

"We cannot hope to go into or stay in livestock production unless we can do a b... feed ...

MAYOR Johnson started the evening program with introductions and recognitions. Former Governor Broughton was master of ceremonies. The principal address was by Dr. Irwin, an American by adoption, having come to the United States in 1921 from Scotland via Canada.

"When I first came to this country," Dr. Irwin said, "I heard people talking about the American way of life and I didn't know what they meant. So I set out to learn."

He developed his theme along political and economic lines, leading on the one hand to political freedom and on the other to economic freedom.

"We are beginning to hear," Dr. Irwin said, "that there is something wrong with our system, that we must have planned economy." These attacks, he said, are coming from Russia and even from England.

He warned his listeners that "a planned economy cannot tolerate civil liberty or economic freedom. It cannot tolerate more than one plan, and that is the official plan. In the end a planned economy must liquidate its opponents.

"There are not enough ships in the world to bring to the United States the number of people who would like to come. They desire to get to a land where the freedom of the individual has been preserved, where there is no forced labor, where they have a voice in the selection of their own rulers, where the papers still print the news, where a man can say what he pleases and go to the church he desires."

The system is not perfect, he admitted. Such things as unemployment, social security and the security of the farm must be solved.

"But even with all its faults," he concluded, "we have built a good economy. And one worth keeping."

News Around and About

Merchandising . . . Bank Operations . . . Legislation . . . Better Farming

The material in this department is prepared by the staffs of BANKING, *the Agricultural Commission and the Commission on Country Bank Operations.*

Farm Credit Bills in Congress

THE Committee on Agriculture of the House of Representatives has finally reported out two bills, the Flannagan Bill and the Cooley Bill, which would reorganize Federal farm credit agencies in different ways.

It is expected that the Flannagan Bill will be brought to a vote first. This would put all agencies of the Farm Credit Administration, as well as the Farm Security Administration, under an independent nonpartisan board outside of the U. S. Department of Agriculture.

If the Flannagan Bill fails of passage in the House, consideration may then be given to the Cooley Bill which would combine the Farm Security Administration, the Regional Agricultural Credit Corporation, and the Emergency Crop and Feed Loan organization.

Farm Equipment Financing Plan

An interesting brochure entitled, "A Practical Plan for Local Bank Financing of Instalment Sales," recently published by the International Harvester Company of Chicago, outlines in considerable detail methods which the Harvester Company believes banks would find workable in financing farm equipment sales. The procedure proposed is based upon more than 100 years of experience in this type of financing by the Harvester Company.

The brochure is divided into five main parts, the first being the introduction, in which we find this interesting comment:

"International Harvester Company is a manufacturing and selling organization. We have for many years financed time sales where necessary as an aid to sales. We believe, however, that the logical man to finance such sales is the local banker.

"At the request of numerous bankers and dealers, International Harvester has prepared this booklet making available its more than 100 years' experience in financing the company's products. The booklet contains a sample form of financing agreement between the bank and the dealer."

Part two is devoted to the financing agreement, with explanations and comments; part three, special records and illustrations relative to the financing agreement; part four, sample forms used in making time sales; and part five, the income purchase plan of selling.

The International Harvester Company will introduce this plan to the banks by having its 6,000 dealers call upon banks in their respective areas to explain the procedures outlined in the brochure.

The International Harvester Company's plan to finance sales of farm equipment and other products by its dealers through local banks is a big forward step in the financing of farmers' needs, according to C. W. Bailey, vice-president of the American Bankers Association, and chairman of its Agricultural Commission. The A.B.A. will soon distribute a manual on farm

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"My Best Bet"

BEGINNING *with the next issue,* BANKING *will pay $15 for articles of about 300 words selected for publication on any of these subjects:*

Soil Conservation	***Farm Lending Methods***
Farm Land Prices	***Merchandising Farm Credit***
Youth Activities Outside Farm Programs	***Commodity Loans***
	County Key Banker Set-Up

It will be noted that all the subjects have to do with the current program of the A. B. A. Agricultural Commission. The articles must be directly concerned with the agricultural subjects mentioned.

Each article should be a brief factual account of any operation or program which has been successful in a country bank. All articles will be selected on the basis of their interest and application to country banking. Send them to BANKING, *12 E. 36th St., New York City.*

At a meeting of the A.B.A. Consumer Credit Committee in Chicago equipment manufacturers were present to discuss ways in which manufacturers and bankers can be mutually helpful in time-sales financing. *Below, l. to r.,* Carroll Gunderson, Credit Policy Commission, A. B. A.; W. Horace Rogers, National Bank of Geneva, N. Y.; Richard W. Trefz, Beatrice (Nebr.) State Bank; and F. B. Mattingly, manager, Credit and Collection Department, International Harvester Company, Chicago

ACME

equipment financing to the 13,000 country banks to guide them in making this type of instalment loan.

Carl M. Flora, chairman of the Consumer Credit Committee of the American Bankers Association, who is also vice-president, First Wisconsin National Bank, Milwaukee, Wisconsin, states that the International Harvester Company "deserves to be commended by banking for presenting its plan for cooperation between local banks and dealers for financing sales of its equipment." Mr. Flora said, "The plan will not only benefit the company's dealers but will also make low-cost local bank credit more readily available to farmers."

A survey just completed by the Consumer Credit Committee of the A.B.A. shows that 81 per cent of all country banks are preparing to finance dealers and individual purchases of durable consumer goods which may include farm equipment, refrigeration equipment, motor trucks, passenger cars, and airplanes. The banks are also prepared to finance equipment and materials for home modernization and to make special instalment loans to meet the needs of small business enterprises.

Agricultural Credit Survey

A confidential questionnaire to obtain information about bank credit extensions to farmers and to farmers' cooperative associations has been sent to 13,000 country banks by the Agricultural Commission of the A.B.A.

From this information, the Commission will compile state and national figures on agricultural credit which will be used to present the story of the splendid service being rendered to agriculture by the banks of America.

The information supplied by the individual banks will be kept confidential. The information sought is the number of and dollar volume of agricultural loans made in 1945, and of loans outstanding as of December 31, 1945, the maximum amount of agricultural loans which the banks could make in 1946 if the demand existed, and information as to bank loans made to farmers' cooperative associations. The Commission is requesting the cooperation of individual bankers to supply this information as rapidly as possible.

Farm Hour Radio Talks

Eight times a year the New York State Bankers Association provides speakers for eight-minute talks on the Farm Hour over Station WGY, Schenectady, New York. These broadcasts are non-commercial and cover a wide range of subjects, such as "If I Were a Farmer and Needed Credit," "The First Step in Getting Credit," "Why a Banker Is Interested in Soil Erosion Control on Farms," "Meeting the Banker on His Own Grounds," "Low Pastures and Low Milk Checks," "Be Prepared—A Program for Taxpaying Farmers," "Pencil Work Done on the Farm," "A Financial Friend in Need," "When a 4-H Project Needs a Friend," "Practical Farm Financial Records," "Citations for 4-H Club Service," "Agricultural Yardsticks," "Approved Dairy Feed Hoarding," "The Hungry Horde," "Your Dollars at Work," "Credit for Veterans," "The Country Bank—How It Serves," and other topics of interest to the farmer and his banker. From time to time a booklet or project, developed by the New York State Bankers Association, of particular interest to farmers and other

Photomural recently installed on the wall of the banking room of the Clinton County Bank and Trust Company, Frankfort, Indiana

country bank customers is discussed on the program.

Advance publicity is given to speakers and the subject of their talks in local newspapers of the speaker's county by Station WGY. These broadcasts are also publicized by the association in the New York State *Banker*. For that reason, the station requires that two copies of each broadcast be provided at least one week in advance, and the talk is subject to correction and change by the studio.

Speakers on this program are, for the most part, key bankers and bankers from farming communities who have volunteered to broadcast. Representatives of the New York State College of Agriculture's extension service, 4-H agents, and others have also appeared on this program.

The Farm Hour of Station WGY has been a regular feature for a number of years and is on the air from 12:30 to 1 P.M. Free time is given by the station to a number of organizations.

"The New England Farm Finance News"

"The New England Farm Finance News," a new monthly publication of the Federal Reserve Bank of Boston, designed primarily to acquaint New England banks with trends and developments in agriculture and assist them in their dealings with farmers, is a part of the banks recently developed agricultural service.

L. A. Zehner, assistant vice-president of the Federal Reserve Bank of Longmeadow, Massachusetts, directs this agricultural service and E. H. Thompson, former president of the Federal Land Bank of Springfield, is advisor for the service.

Reserve Banks Foster Kentucky Soil Conservation

"Conservation farming supplemented with good financing benefits the farmer, the banker and community." With this theme a series of meetings has been conducted in eastern Kentucky by the Federal Reserve Bank of Cleveland, and in western Kentucky by the Federal Reserve Bank of St. Louis.

Cooperating with the Reserve banks were the Extension Service of the University of Kentucky, as well as the state and county bankers associations. Among the points brought out in every meeting were the statements that 80 per cent of Kentucky people look to farming or to business with farm people for their principal source of livelihood, and that a large number of Kentucky's so-called "poor land" farms can be changed

to good land farms by soil improvement and erosion control.

While about 340 thousand tons of fertilizer, mostly 20 per cent superphosphate, has been used in Kentucky in recent years, estimates were given that more than a million tons should be used each year in order to get best use from the land of the state. Contour planting and terracing are needed on a large number of Kentucky's crop land acres. In other areas, tile drainage is needed. The bankers were shown that these improvements in the soil could be made to pay dividends.

Banker Reports Sharp Increase in Land Prices

H. W. Gilbert, vice-president, The Second National Bank, Richmond, Indiana, in a letter to A.B.A. Deputy Manager A. G. Brown, reports an alarming increase in the land price in his community. His letter, in part, follows:

"As to the land price of farms in this territory, which includes Wayne and Randolph counties, Indiana, and Preble County, Ohio, would say that many of them are 50 per cent higher than they were even a year ago. People seem to be going crazy about buying farms. It is the same old story that happened in War I. It does not seem to be a question of price, but a question of how soon they can get possession. The American farmer is getting more for his product now than he has for many years. I just sold 150 head of hogs that averaged over 300 lb. at a ceiling price in this territory of $14.55 a hundred. It seems to me there are more hogs on foot than I have seen for a long time. That same thing applies to other farmers in these counties. Just think, A. G., an old stag weighing 500 lb. will bring $14 a hundred. Why it is critical!

"I know one farm that is going to be sold in the very near future, 160 acres, and it will bring $250 an acre. I know of another small piece of land just north of this city which was purchased for $4,000, with very good improvements. It was sold the other day for $12,500 and I financed $5,000 for him.

"This bank is not making loans on such inflation. When the time comes we do not want our portfolio filled up with a lot of high priced land or houses, and get stung like we did after the other war."

Information Wanted on Bank "Outside Programs"

Chairman C. W. Bailey of the Agricultural Commission has written to each state bankers association requesting names of banks with outside farm representatives, or with successful agricultural credit programs. The secretaries of several state associations have in turn sent questionnaires to their membership, or have inserted notices in their monthly bulletins, in order to get information on the outstanding features of these programs and the results obtained.

The Agricultural Commission will undertake to provide an exchange of information between interested banks on successful procedures.

"It has been our observation," Mr. Bailey wrote, "that a greatly increased number of banks are taking up more aggressive programs in the handling of agricultural credit, and we know that activities of this kind will do more for the betterment of rural banking than most anything else."

INTERNATIONAL NEWS

Secretary of Agriculture Clinton P. Anderson, *standing*, addressed a meeting of food trade industry representatives and Agriculture Department officials on food conservation methods in the United States in order to release food for shipment to the starving peoples abroad

Soil Conservation Loan Program

The First National Bank of Cape Girardeau, Missouri, has issued a timely four-page folder featuring loans for soil conservation purposes, entitled, "Take Care of the Soil and the Soil Will Take Care of You!"

In a brief introductory paragraph, the bank states:

"We, of The First National Bank, believe so strongly in the importance of building up and conserving the soil that we have set aside a half-million dollars to be loaned to capable and responsible farmers who will follow out a program of 'balanced farming' on their farms."

The folder then discusses the bank's soil conservation loan program, balanced farming, importance of soil improvement programs, how to start a balanced farming program, how the Agricultural Conservation Association assists in a balanced farming plan, and why the bank is interested in soil improvement.

Clyde D. Harris, a member of the American Bankers Association's Commission on Country Bank Operations, is president of this bank.

Cost Analysis Program Progress Report

The second consecutive nationwide cost analysis program, conducted by the Country Bank Operations Commission of the American Bankers Association, is making very favorable progress, it was indicated by S. N. Schafer, president, First National Bank, Fort Atkinson, Wisconsin, and chairman of the Cost Analysis Committee. Over 5,000 banks are participating in this year's analysis as compared with the 3,000 banks which received this cost information last year, indicating the increased interest stimulated by the results of the previous study. All member banks with total assets of $7,500,000 or under were invited to join the cost study this year.

Over 2,000 of these reports have already been received and the work of processing, computing, analyzing, tabulating, and reporting this mass of informational data is now in progress. Upon the completion of this work, each participating bank will receive a detailed list of the cost of handling each item, transaction and service handled.

Besides giving each bank this individual report covering its actual cost, the Commission will provide comparative schedules making it possible for each of these banks to compare 12 different phases of its cost report with those of other banks of similar size and location.

Reports of last year's analysis showed a great variation in these figures. One of the most interesting sections of the report is that listing the operating efficiency rating which is a comparison of the actual time reported "on the job" by the officers and employees of each bank with the total number of "work minutes produced" as based on the Commission's normal time chart. Since this analysis was a time plan it was necessary for the Commission first to determine the normal time required in the handling of each and every item and transaction. This efficiency rating has, therefore, proven the accuracy of the "normal" time elements used by the Commission, since the average efficiency rating of the first 300 banks computed last year was 98.89 per cent while that of 750 selected banks was 102.82 per cent. The plan used by the Commission was devised by its chairman, William C. Rempfer, president of the First National Bank, Parkston, South Dakota, and was assigned by him to the American Bankers Association. It has proved to be accurate, simple, easy to use and understand, adequate to meet their needs, having been drawn up especially for smaller banks.

The willingness on the part of the participating banks to provide the necessary information, the hundreds of favorable comments and the many helpful suggestions given by these banks is indicative of the interested manner in which the country banker is approaching the highly important problems facing him today.

Farm Youth Survey

A survey of state leaders of 4-H Clubs and Future Farmers of America, to ascertain the extent to which banks have been helpful to the youth organizations during the past two years and to obtain suggestions as to how banks can be more helpful in the future, is being made by the Committee on Youth Activities of the Agricultural Commission of the A.B.A., which is headed by Warren Garst, cashier, Home State Bank, Jefferson, Iowa.

Oregon Bankers Association trophy winners. ***L. to r.,*** **Agricultural Committee Chairman A. H. Abts presenting state 4-H Club achievement and leadership winner trophy to Anne Girod, of McMinnville, and a plaque to John Singer, Woodburn Future Farmer, who won the farm shop contest**

Federal Subsidies to Farm Loan Agencies

The daily statement of the United States Treasury shows that there was still $579,139,773 of government capital invested in the agencies of the Farm Credit Administration at the beginning of 1946. This investment is in the form of capital stock and paid-in surplus. In addition, the Treasury shows $135,495,376 of the earned surplus of these agencies as owned by the United States.

No interest is paid to the Government for the use of this capital, and the income obtained by the lending agencies from use of the funds constitutes a concealed subsidy. The Government's total capital investment in the FCA agencies on December 31, 1945, was as follows:

	Government Capital Stock and Paid-in Surplus	*Earned Surplus Owned by U. S.*
Banks for Cooperatives	$178,500,000	$33,156,425
Federal Intermediate Credit banks	60,000,000	32,030,931
Federal Land banks	168,041,783	....
Production Credit Corporations	108,300,000	15,182,808
Regional Agricultural Credit Corporation	14,297,990	....
Federal Farm Mortgage Corporation	50,000,000	55,125,212
Total	$579,139,773	$135,495,376

The Federal Farm Mortgage Corporation, the Regional Agricultural Credit Corporation, the Production Credit Corporation, and the Federal Intermediate Credit Banks are wholly government-owned. Privately-owned capital funds in the Banks for Cooperatives totaled only $7,645,264 on the above date, and in the Federal Land banks amounted to $230,167,767.

Agricultural Clinic

An agricultural clinic jointly arranged by the Indiana Bankers Association and the Graduate School of Purdue University to be held at the university on April 11 and 12 will cover a broad field of agricultural economics and practices, according to G. G. Welsh, president, Union Trust Company, Greensburg, who is chairman of the agricultural clinic committee.

In addition to several Purdue faculty members and leading Indiana bankers, the clinic will be addressed by C. W. Bailey, vice-president, American Bankers Association and president, First National Bank of Clarksville, Tennessee, whose topic will be "The Challenge of Tomorrow"; A. G. Brown, deputy manager of the A.B.A., and director of its Agricultural Commission, whose topic will be "Let's Face the Facts"; and Indiana's Governor Ralph F. Gates, who will speak on "Indiana Faces the Future."

Banks Are Building

(Editor's Note: *Some 5,600 banks answered* Banking's *query last month on remodeling and new building plans. As a prelude to the release of the actual statistics, here are a few pertinent observations based on this national study.*)

Our test survey last Fall gave evidence that some 20 to 25 per cent of the banks queried were planning to remodel or build new quarters. Final returns to our national survey, completed last month, set the actual figure close to 40 per cent, and that's still on the conservative side.

What are the reasons for this potential building boom in our own back yard? Some of the more obvious answers are: greater volume of business, larger working staffs, increased lobby traffic, expansion of present departments and the addition of new services, notably consumer credit. In large communities, branch banks are concerned with the inevitable problem of shifting populations. In many instances, small branch buildings are due for a complete overhaul to serve a more concentrated population, while in other instances there's likely to be a "to let" or "for sale" sign hung on the door. In many communities whose populations are straining at the city line, bankers are eyeing new sites for neighborhood service.

Time has figuratively strung cobwebs over antiquated facilities. A surprising number of bank buildings belong to the era of red plush and brass spittoons. Some institutions' physical quarters—a few among the largest banks—were last built or remodeled in the 1890's.

Of course the public can no more judge the soundness of a bank by the architecture which houses it, than one can judge a book by its cover. Yet it seems wholly logical that progressive service—the keynote of present day banking—being somewhat affected by physical limitations has at times a restraining influence on growth.

There may be exceptions to prove the rule: Where populations remain more or less static, size of building and tempo of service is perhaps relatively unimportant. Too, management can move in batteries of modern equipment, and with a keen-minded staff do a land-office business despite the gingerbread ornamentation which dates the building's age. However, when the competition across the street blossoms forth with a more "pleasant" place to bank, the point of our contention makes sense.

If we apply the rule of thumb most architects subscribe to—that 20 years is the life span of a bank's quarters, beyond which it begins to become outmoded—then the building boom of the 20's and early 30's is due to resume in the banking field. Facts in our survey plainly reveal the extensive building program of this period, and moreover they emphatically confirm the old thumb-rule. We are about to witness a construction program definitely designed to wipe out the last traces of bars, grills and gargoyles, which will pick up the slack created by the war years and set a standard of service well ahead of our times. The new building and modernization program which began to take on the significance of a boom before the war in our field is again evidenced by the number of construction jobs now on the way or taking shape on the drafting board.

As in general housing, there are some bottlenecks to be broken: material shortage and labor. Still another factor is the question of building costs; many banks consider them at this point inordinately high. There is, however, a school of thought which reasons that banks expanded in the last period at a time when costs were exceptionally moderate, and even then huge investments were made in ornamentation. Today, this school insists, a better job can be done with modern materials and functional design at less cost than the Victorian structures of 20 or more years ago. However, the optimistic believe costs will drop when production lines roll in the building trades, but the pessimist is waiting to say "I told you so!" Regardless of the pros and cons on costs, the construction program over the country is already well under way.

The underlying motive is perhaps best answered by the rating given the advertising and public relations value of new quarters by the banks answering our questionnaire. Specifically, some 1,663 banks rated the value "great," 1,680 rated it "some" influence on business, while only 271 considered the value of new quarters of "little" or no importance to the public. As for its influence on correspondent bank business, 245 banks consider new quarters of "great" value and 1,059 banks rated it "some" value, while 1,445 voted "unimportant." The significant point, however, is that more small banks attached greater value to facilities of service suggested by "new quarters" than did the larger banks which preponderantly voted "little" value to the question. This then was apparently an interpretation of why small banks place correspondent business with certain

(Continued on page 125)

GI Loans Speeded By Amendments

The average veteran who seeks a loan from his home town bank under guaranty provisions of the amended Servicemen's Readjustment Act will probably have the loan money available for use in less time than would a regular bank customer, according to William Powers, deputy manager of the American Bankers Association, who is also secretary of its Committee on Service for War Veterans.

The amendments to the GI act, which are covered by regulations of the Veterans Administration, cut the time for making a bank loan from as much as four weeks to only a few days. The automatic guaranty of a portion of the loan by the Veterans Administration provides the bank loan officer with what is in effect "collateral" of a definite value, and this permits the bank to go ahead with the loan procedure with a minimum of delay.

For instance, here is a schedule of how the average veteran can make a loan under the new amendments, compared with procedure under the original act:

New Procedure Under Amendments

Veteran discusses loan with bank officer.

Bank may accept veteran's honorable discharge certificate as certificate of eligibility for loan.

Bank proceeds with credit operation. Selects appraiser from Veterans Administration list of approved appraisers. After receiving appraiser's report may complete loan and pay out funds to the veteran. THE VETERAN HAS THE MONEY HE NEEDS IN A MATTER OF HOURS OR AT THE MOST IN A FEW DAYS.

After making the loan to the veteran, the bank sends to the regional office of the Veterans Administration: (1) the veteran's honorable discharge certificate; (2) the note or evidence of debt signed by the veteran; (3) the appraiser's report, and (4) loan closing statement of the bank.

The Veterans Administration endorses the discharge certificate with the amount of the loan made and the portion of the guaranty right used and remaining for the veteran. The Veterans Administration endorses the note, indicating the guaranty reserve covering the loan. The VA returns to the bank the discharge certificate and note and keeps the appraiser's report and closing statement. The discharge certificate is given back to the veteran.

Old Procedure Under Original GI Act

Veteran discusses loan with bank loan officer.

The veteran and bank fill out form for application for certificate of eligibility for the veteran. This application is sent to regional office of the Veterans Administration.

The certificate of eligibility is returned to the bank and enclosed with it is the name of a qualified appraiser who is to appraise the real property involved.

The bank obtains a credit rating report on the veteran from an approved credit rating agency.

The bank completes arrangements to make the loan and applies to the Veterans Administration for a certificate of guaranty.

The Veterans Administration sends the guaranty certificate to the bank.

The funds may then be paid out to the veteran.

Under this new automatic procedure, the bank in the majority of cases does not need to make any contact with the Veterans Administration until after the loan is completed. The bank is required to fill out only one form, and that is the loan closing statement. In most cases there is no need for a credit rating report. All form-filling-out and processing time has been eliminated under the revised method, except for unusual cases.

Under the old procedure, the bank and the veteran and the appraiser filled out a minimum of six forms which on the average required a total of seven hours to complete. As long as four weeks were needed to process these forms, and during the time which elapsed, many veterans lost an opportunity to buy a home or business.

Bankers, transit clerks, depositors—all like the Recordak Transit System

RECORDAK
(Subsidiary of Eastman Kodak Company)

originator of modern microfilming—

A Service for Mortgage Prospects

REPORTS from banks throughout the country indicate wide usage of the mortgage promotion plan offered late last year by the American Bankers Association.

The feature of the plan is a monthly bulletin on some aspect of home building or home ownership, prepared by the University of Illinois. On the cover is a message addressed by the bank, on its own letterhead, to its mortgage prospect list. Distribution of this material was well on its way to the 200,000 mark by mid-March.

Accompanying each bulletin is a list of manufacturers' literature that is available for distribution through banks. Many of the circulars listed are illustrated and contain information of general interest in addition to keeping the prospective home owner informed of the latest improvements in materials and equipment.

In bringing the plan to the attention of the membership, the association through its Advertising Department, has pointed out that while it is complete in itself it is also adapted to integration with any other plan that a bank may already be using for the promotion of mortgage business.

Here are excerpts from a few letters received from banks in commenting on their experiences with the plan:

From Chicago: "We distributed by mail between January 10 and February 10 about 2,500 initial letters of the University of Illinois letter bulletin series to our savings depositors and personal checking account depositors who had a balance of $1,500 or more in their accounts. We feel very gratified in having received replies from approximately 500 of these depositors who show a definite interest in home planning, and our mailing list is still growing as we are receiving additional reply cards daily."

From Tacoma, Washington: "During the month of January, we mailed out the first University of Illinois letter bulletin entitled 'Designing the Home' to 600 prospects in our city. Of this group, nearly 300 have indicated their desire to be placed on our permanent mailing list to receive future bulletins.

"Ordinarily, a response of 10 per cent is considered average in direct mail advertising, and we feel that our response of 50 per cent is a very fine showing. However, this can be attributed to some extent to the fact that we had an excellent mailing list. . . .

"We have been looking for a long time for some way in which we could be of real service to our prospective home loan customers, and we believe the letter bulletins are the answer to our problem. They contain valuable information for home planners, and are personalized by having the bank's own letterhead and message imprinted directly on the bulletin. We are confident they will serve the purpose of establishing a more friendly relationship between prospective customers and ourselves."

From Independence, Iowa: "Our experience with our limited mailing of the first University of Illinois letter bulletins was excellent. Being located in a rural area, we did not feel that we had cause to use as many of the bulletins as was recommended, but of those that we did send out more than 50 per cent of the enclosed cards were returned, asking that we continue sending the future bulletins. . . .

"We have no suggestions for improvement, as we think they are the best thing of their kind we have seen."

From Syracuse, New York: "Our Own-A-Home Club has been organized for nearly a year and we are merely using the bulletin to provide additional information to these people. We are using it, however, to some extent in our advertising as a means of attracting new members to our Own-A-Home Club. In this respect it is rather interesting that the club members have averaged consistently higher since we put into effect the additional service."

From Norristown, Pennsylvania: "Of the material that I have seen thus far in the Illinois series, I do not hesitate in stating that it cannot be improved upon. The material presented is just what the individual wants and it is in language that the average man can understand."

From Chattanooga, Tennessee: "We sent out the first bulletin on January 30, to a list of 3,000 of our customers who we think are prospects for real estate loans. The response was very encouraging, since we have never sent out a piece of advertising that has created so much interest. We had about 300 of the cards returned, or 10 per cent; and any number of people telephoned or told us that they wanted their names on the list.

"We have put in an order for 3,500 for the next series because we have accumulated about 200 additional prospects and figure that we should have some extra ones to give people who call by the bank for a copy."

A meeting of the New London, Connecticut, Home Planners Club. *Left to right*, Howard B. Smith, director, A.B.A. Department of Mortgage and Real Estate Finance; Ralph Matteson, treasurer, Savings Bank of New London; H. L. Smith, FHA architectural supervisor

It's gone sky-high in value, along with the furnishings in it. Business and industrial properties are 'way up too!

Have your Fire Insurance and Extended Coverage kept pace? Better check up now—with an eye on today's insurable values. Make sure your home—and its contents—are adequately protected.

Maybe fire insurance costs too little

If the cost of Fire Insurance were higher, you'd probably pay more attention to it. Few realize how much value you get today for your premium dollar . . . how broad the protection is under today's policies, although the cost of Fire Insurance has declined!

Successful "business" trip

Burglary is *his* business . . . and he may call at *your* house next. Be ready! Hartford Residence and Outside Theft Insurance protects all members of your family living in your house, covers property at home or when traveling in the Western Hemisphere.

Let him assist you balance the scales!

Your Hartford agent or your insurance broker can help you balance your protection against present-day property values. He will be glad to advise you—call or see him today.

Look out . . . it may be a booby trap!

Don't take chances with that hard to replace car. Handle it with care! And be sure you're covered by broad, modern automobile insurance protection!

Hartford Insurance

Hartford Fire Insurance Company . Hartford Accident and Indemnity Company
Hartford Live Stock Insurance Company

Writing practically all forms of insurance except personal life insurance • Hartford 15, Conn.

Saving for the Future

JOHN L. COOLEY

In Boston's Old Granary Burying Ground the first postwar crocus was breaking the sod on Paul Revere's grave. Boys were playing ball on the Common, and the kids in the Public Garden chased the pigeons.

A couple of blocks from these previews of Spring more than 500 bankers sat in the ballroom of a big Boston hotel listening intently while speakers discussed things just as closely identified with New England as its eminent coppersmith and Common—thrift and home-ownership. The bankers had come from the seven north-eastern states for the American Bankers Association's Eastern Regional Savings and Mortgage Conference which, for the first time in a long history, had been convoked outside New York City.

As Dr. Harold Stonier remarked, it was fitting that the conference had resumed after the war in the section traditionally associated with thrift and self-reliance. Saving, he reminded the bankers, is the basis of self-reliance which in turn is the basis of character. Without savings, he added, there can be no solvent state—and without that, security is a dream.

The bankers kept their coats on, but it was a shirt-sleeve conference just the same. For two days the men from Maine, Massachusetts, Vermont, New Hampshire, Rhode Island, Connecticut and New York discussed thrift and its by-products, home building and ownership. Representing mutual savings banks and commercial banks with savings departments in scores of busy cities and little towns, they talked over savings management problems and mortgage business, projected against the current background of spiraling real estate prices, competition for the funds of savers, and the general uncertainties that beset every business and every citizen.

The core of the conference was merchandising—bringing banking's thrift services to a wider market. There were papers and discussions on advertising, GI loan procedures, school savings, management, and mortgage credit and methods of promoting its use. There were others on new housing legislation, inflation and interest rates, and the current mortgage market in perspective.

Arranged by the A.B.A. Savings Division, under the direction of its president, Myron F. Converse, president, Worcester (Massachusetts) Five Cents Savings Bank; its vice-president, Fred F. Spellissy, executive vice-president, Market Street National Bank, Philadelphia; Secretary J. R. Dunkerley, and Howard B. Smith, director of the Association's Department of Real Estate Finance, the conference was geared to the every-day needs of the banks.

Space permits only the briefest résume of the points and plans discussed, but perhaps even a short summary will indicate the trend of bankers' thinking on the subjects that headlined the program.

John B. Mack, Jr., head of the A.B.A. Advertising Department, urged that the banks hold their leadership

At the opening session of the Boston conference, *l. to r.*, Savings Division President Converse; John B. Mack, Jr.; Dr. Harold Stonier; Harold E. Randall; Vice-president Fred F. Spellissy

ACME


ACME

A section of the audience

in mortgage lending and savings through more aggressive advertising. Recent nationwide surveys, he said, showed banks were spending "far too little for advertising in view of the job to be done." They're "sending a boy to do a man's job when they spend only an office boy's salary each week for advertising," he asserted in pointing out that 20 per cent of the mutual savings banks surveyed by his department were investing less than $1,000 a year for this purpose, while half of them spent much less than $5,000. Commercial banking expenditures are even less adequate, Mr. Mack declared. And banks everywhere have shifted their emphasis away from promotion of savings to loans. The danger, he said, "lies in the fact that people will go, and are going, elsewhere than to the banks with their savings. And once they form the habit pattern of saving somewhere else, the banks will have a hard time bringing them back."

Harold E. Randall, vice-president of The First National Bank of Boston, discussing scientific savings management procedure, urged bankers to know their costs; to know what they can earn on savings funds; to adjust their interest-paid rates in accordance with earnings; to study their savings accounts for the purpose of determining which are unprofitable; to eliminate or reduce losses on unprofitable accounts by making charges for excess withdrawals and for short-lived accounts and by limiting interest payments on unprofitable business; and to consider stimulating the profitable part of the business through adoption of contracts and interest rates that encourage true savers. "Scientific savings management," said Mr. Randall, "is one way to insure that savings banks will continue to retain their position as leaders in the savings field."

William Powers, secretary of the A.B.A. Committee on Service for War Veterans, explained current changes in GI loan procedure. It should now be possible, he said, for banks to give the same efficient time-saving service to veterans on loan applications as they give to regular borrowing customers. Mr. Powers summarized last year's amendments to Servicemen's Readjustment Act.

Mr. Dunkerley, commenting on the continuing savings bond campaign, said the banks' desire to hold inflation in check was sufficient motive "to continue to assist the Treasury Department." Discussing the question of school savings as an important part of the banks' thrift program, he said that this form of banking had "demonstrated its effectiveness in helping to build a community of people who believe in spending less than they make; who believe that debts should be paid; who recognize the sanctity of a contract; who know the value of conserving wealth; and who respect the wealth of others." A full

(CONTINUED ON PAGE 120)

Inflationary Mortgaging

THE Newton Savings Bank, Newton, Massachusetts, has published a 15-page booklet on mortgages, devoting some space to inflation, and citing what can be done toward averting it in the housing field. The booklet is illustrated by charts (reproduced on this and the following page) dealing with the question of inflation arising from excessively large, long, and low rate of interest mortgages.

The first chart, *below*, shows the saving in interest and time which results from increasing the size of the down payment, the illustration being three GI borrowers, each of whom buys a $10,000 house, pays 4 per cent interest, and $60.60 a month for interest and amortization. The first one borrows 100 per cent, takes 20 years to pay off his loan, pays $4,544 in interest during the life of his mortgage. The second one takes an 80 per cent mortgage, and, with all other conditions identical, saves five and one-half years and $2,000 in interest. The other one takes a 60 per cent mortgage and saves 10 years in time and $3,272 in interest.

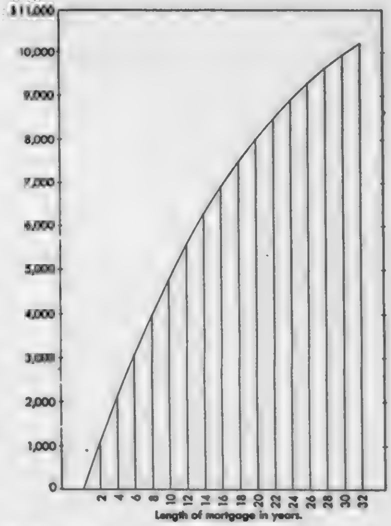
The second chart, *right*, shows how an equity of $100 is expanded to a total purchase price of $250 on a 60 per cent mortgage and scales upward to $2,000 on the proposed 95 per cent mortgage.

The third chart (see following page) shows how the lengthening of the term of the mortgage expands the purchasing power of the borrower; thus $50 a month would amortize and pay the interest on a $1,000 mortgage in two years, but the same payment under the proposed 32-year mortgage would borrow about $10,300.

While the illustrations purposely relate to the GI loan available to veterans, the underlying principles are the same for all borrowers even though they may not be entitled to such favorable terms.

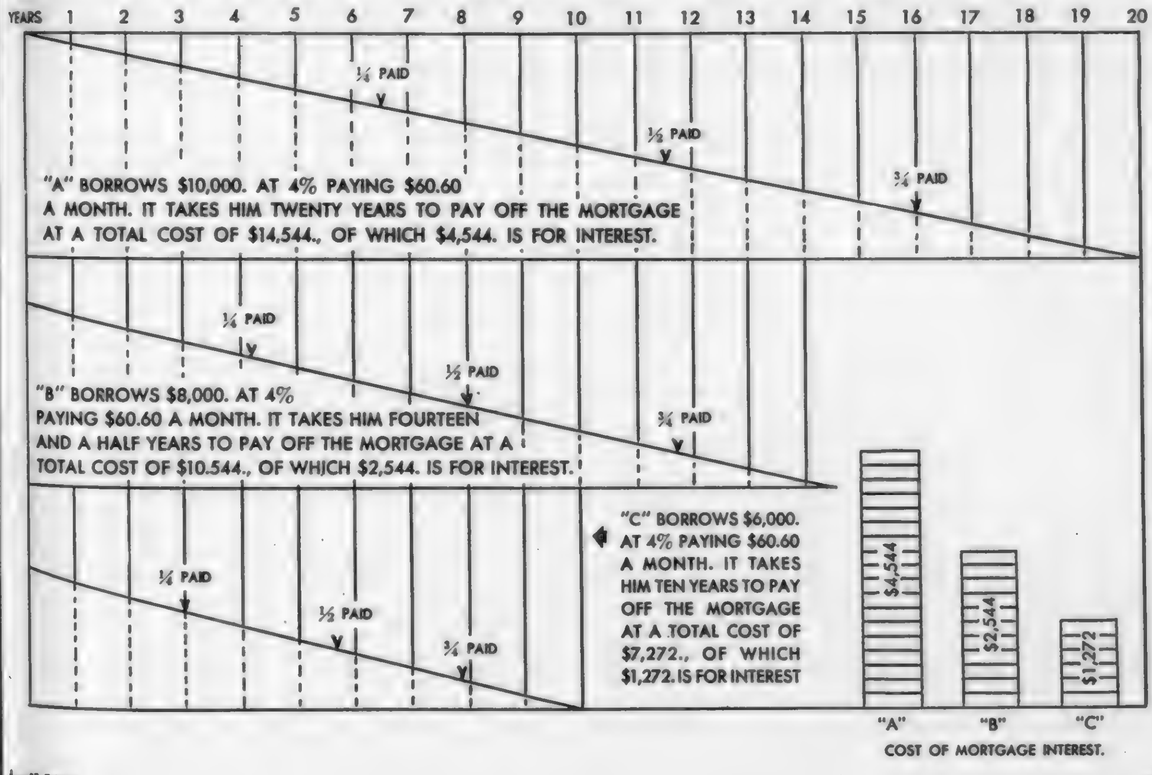
J. E. Perry, president of the Newton Savings Bank, believes that the pressure of inflation in housing will probably begin to lessen whenever the public gets into a psychological mood of expecting relief from the housing pressures, even though such relief may in fact be deferred.

"People are already beginning to question whether they should pay several thousand dollars bonus for immediate occupancy, if by waiting a matter of months, they can build or buy at more reasonable figures," he writes.



The inflationary effect of increasing the ratio of mortgage to total valuation

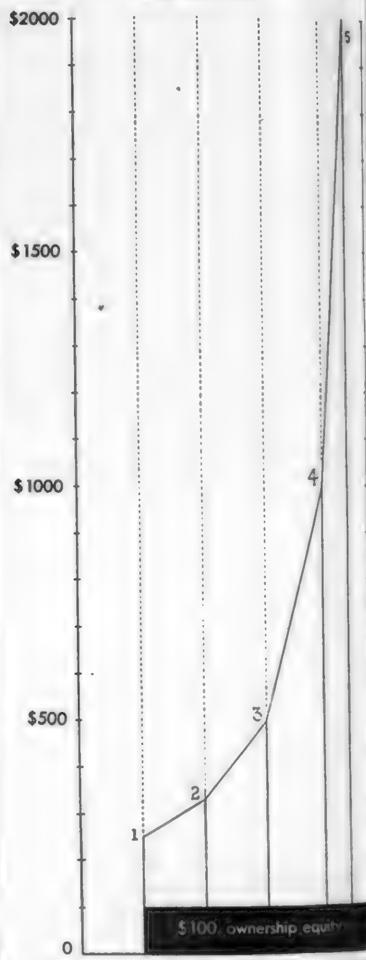
Three veterans each buy a $10,000 home; one makes no down payment, one pays $2,000 down, the third pays $4,000 down



Although the illustrations as used in the booklet are designed to point out the advantage of short term mortgages and larger down payments, to effect savings in interest and time, they also support indirectly Mr. Perry's idea of the inflated buying power of the home buyer.

When these influences are combined with the dropping of the interest rate, according to Mr. Perry, we have what seems to him the most potent inflationary force in the entire building industry.

The inflationary effect of lengthening the mortgage. (In the diagram the mortgage interest in each case is at 4 per cent and the monthly payment is $50 for interest and amortization.)



1. $100. ownership equity plus a 60% mortgage buys a total of $250.
2. $100. ownership equity plus a 70% mortgage buys a total of $333.
3. $100. ownership equity plus a 80% mortgage buys a total of $500.
4. $100. ownership equity plus a 90% mortgage buys a total of $1000.
5. $100. ownership equity plus a 95% mortgage buys a total of $2000.

THE INVESTMENT MARKET

H. EUGENE DICKHUTH

MR. DICKHUTH *is on the financial staff of the New York* Herald Tribune.

THE bewilderment over developments on the domestic and international scenes has introduced an element of considerable uncertainty into all branches of the investment markets.

In the field of Treasury obligations this is supported by a seemingly endless stream of rumors of what fiscal policies will be followed in Washington or by the Federal Reserve System. To some members of the fiscal inner circle, this is not altogether unwelcome, because the relative certainty of Treasury policy throughout the war had led to mathematical investment formulas which, to some degree, are held responsible for the previous bidding up of prices. In other words, uncertainty has resulted in a slackening of the upward movement of prices and has slowed the decline in yields, which is regarded with satisfaction.

The long range Treasury policy is dominated by its large working balance which reached a peak of $26,200,000,000 on January 2, 1946 and which has seen only moderate reductions since. It should be emphasized again that these large funds make it unnecessary for the Treasury to seek new financing perhaps throughout this year and even for part of 1947.

THERE is a good deal of expectation that the redemption of the obligations matured in March will be followed by similar operations later in the year. Those who expect a continued rather vigorous policy of Federal debt retirement consider it a foregone conclusion, for example, that the Treasury will pay cash for the $1,036,000,000 3 per cent bonds and for the $819,000,000 3⅛ per cent obligations called for June 15.

The only other 1946 maturity besides certificates, bills and 0.90 per cent notes is an issue of $3,261,000,000 1½ per cent notes due on December 15. It should be noted that the Treasury omitted calls on war loan accounts for a long period earlier this year, but resumed this method of replenishing its cash in time to have sufficient funds on hand to pay maturities.

Some of the redemption operations will afford the Treasury opportunities to reduce its large working balance and part of the public debt. Depending on the class of the holders of such indebtedness, redemption will also reduce the potential expansion of private deposits which would occur if all withdrawals from war loan deposits were used for ordinary government expenditures that automatically flow back into the commercial banking system.

In fact, no rise in private deposits will result from that part of the redemptions of securities held by commercial banks or the Federal Reserve banks. In the case of the former, war loan accounts are reduced as well as government holdings. On the Federal Reserve statement the Treasury's account will decline and so will holdings of government obligations.

All other factors being equal, all this should have an anti-inflationary effect on the banking system. It follows that the period of rising bank earnings from government securities' profits has come to a halt.

What might take up the slack to some degree are the expected issues of the International Bank for Reconstruction and Development. There have been official hints that such flotations in this market might run to $1,000,000,000 by the end of this year and to $7,000,000,000 by the end of 1947 at rates of about one quarter of 1 per cent higher than comparable Treasury obligations.

FEARS about a ¾ per cent certificate seem to have disappeared and reports are that the Treasury and the Reserve System have finally agreed to continue the ⅞ per cent rate. The relatively narrow spread in the yield between short and long terms, coupled with indications that present certificates would be continued has led to some switches from bonds and notes into certificates. Otherwise the interest rate pattern remains uncertain with rumors that no more 2½s will be issued gaining credence.

Depsite the elements of doubt, however, the government securities market is surrounded with an air of stability compared with the private capital markets which have been greatly disturbed by the continuance of major labor disturbances, and by higher wages without equivalent price rises. Full peacetime production seems still a long way off. Postponed with it is that era of prosperity "lasting at least three or four years" which everybody expected.

There is hardly any expectation of tax reductions or other cost reduction for business—hence, 1946 earnings no longer look as promising as they did last December. This is at the bottom of some recent market actions.

In the meantime, flotations by industry and municipalities continue on a moderate level. Investor reception of the new financing was generally favorable despite uncertain markets for outstanding securities in some periods. The relative dearth of available investments, compared with the huge funds seeking employment still is a determining influence in all markets.

From all reports, risk capital is readily forthcoming for all sorts of new ventures which have not yet reached the underwriting stage. Part and parcel of the same psychology is the continued interest in gold mining shares of enterprises in many parts of the world.

BANKING NEWS

Executive Council to Hold Spring Meeting at French Lick, Ind.

A.B.A. Governing Body In Session Apr. 14–16

The annual Spring meeting of the Administrative Committee and of the Executive Council of the American Bankers Association will be held at the French Lick Springs Hotel, French Lick, Ind., on Apr. 14–16. The Council is the governing body of the Association and meets twice yearly, once in the Spring and again in the Fall at the time of the annual convention.

During the three-day sessions of the Council in French Lick the various divisions, sections, commissions, councils and committees of the Association will report on the progress of their programs. In addition, each of these groups will meet to review their activities and chart future plans.

Commentator to Speak

Henry J. Taylor, noted foreign correspondent and radio commentator, will address the Council on the evening of the 14th.

On the pleasure side of the program will be golf tournaments for the men and the ladies. Winners in these tournaments will be awarded prizes at the family dinner on the 15th. President Frank C. Rathje will preside at the family dinner, as he will at the formal sessions of the Council.

The committee for the men's golf tournament is composed of: P. R. Williams, chairman, Mark A. Brown, Ralph Fontaine, William B. Gladney and Harold H. Helm.

First in Two Years

This will be the first meeting of the Association's Executive Council since the New York City session of September 1944, when that body, under emergency provisions of the A.B.A. constitution, elected the officers for the following year.

A.B.A. to Convene in Chicago

The 72nd annual convention of the American Bankers Association will be held in Chicago, Ill., Sept. 22 to 25, inclusive, it has been announced by Merle E. Selecman, secretary of the Association. Official convention headquarters will be at the Stevens Hotel.

With the convention being planned for this Fall, the A.B.A. will resume the annual meetings of its members which were interrupted last year at the request of the Office of Defense Transportation because of the military requirements of railroads.

The hosts for the 1946 convention will be the member banks of the Chicago Clearing House Association. Solomon A. Smith, president of The Northern Trust Company of Chicago, and chairman of the Clearing House Committee, has extended the invitation in behalf of the Chicago clearinghouse banks.

Mr. Smith will serve as chairman of the general convention committee. John J. Anton, vice-president of The First National Bank of Chicago, will serve as chairman of the executive committee. Mr. Anton served as vice-chairman of the executive committee in 1944 when the Association held its convention in Chicago.

The personnel of the Chicago convention committee is not yet complete and will be announced later.

Association Gets 18 New Members in Month
11 States and Canada Represented in List

Eighteen banks from 11 states and Canada became new members of the American Bankers Association during February, according to a report of the Organization Committee, of which R. L. Dominick, president, Traders Gate City National Bank, Kansas City, Mo., is chairman.

The new members include the following:

Colorado, Fruita State Bank.

Georgia, The Peoples Bank, Fitzgerald; Citizens and Southern National Bank, Valdosta Office.

Iowa, Oelwein State Bank.

Kansas, State Bank of Ozawkie.

Louisiana, Citizens Bank & Trust Company, Covington.

Mississippi, National Bank of Commerce, Corinth.

New York, Banque Belge Pour L'Etranger, Overseas, Ltd., New York City Agency.

Ohio, Farmers Savings Bank Company, Ashley; Community National Bank, Flushing.

South Dakota, Bank of Wessington; Farmers State Bank, Westport.

Texas, First National Bank, Bartlett; Community State Bank, Runge; First State Bank, Silverton; First State Bank, Wylie.

Virginia, Southern Bank of Norfolk, Bute Street Branch, Norfolk.

Canada, The Bank of Montreal, St. Lawrence Market Branch, Toronto.

Graduate School Adds Three to the Faculty For Its 1946 Session

Broach, Culshaw, Flora Join Teaching Staff

Three members are being added to the faculty of The Graduate School of Banking, which holds its 1946 twelfth resident session at Rutgers University, New Brunswick, N. J., June 17–29.

They are: Falkner Broach, vice-president, National Bank of Tulsa; Harry C. Culshaw, vice-president, the Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia; and Carl M. Flora, vice-president, First Wisconsin National Bank, Milwaukee.

Mr. Broach will lecture on government securities. He has written numerous articles for financial magazines and lectured extensively in the Middle West before bankers' groups on the subject of government securities.

Mr. Culshaw is himself a graduate of The Graduate School, class of 1940, and has been a guest lecturer on credits occasionally since his graduation. He will lecture on specialty credits.

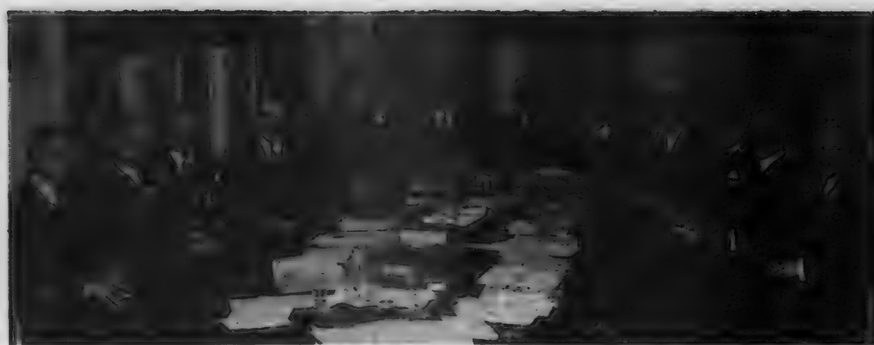
Mr. Flora is an authority on consumer credit, widely in demand as a speaker in that field. He is chairman of the A.B.A. Committee on Consumer Credit. He will lecture on consumer credit with special emphasis on loans to small business.

NEW TEACHERS AT GRADUATE SCHOOL OF BANKING

Falkner Broach

H. C. Culshaw

Carl M. Flora



Bank Management Commission members paused during their deliberations to permit BANKING's photographer to get a picture. *L. to r.*, Carroll A. Gunderson, A.B.A. staff; R. C. Tait, O. B. Lovell, E. L. Stucker, Walter G. Vogel, L. W. Bishop, L. H. Hammerstrom, A.B.A. Deputy Manager Walter B. French, Chairman William A. McDonnell, Secretary Melvin C. Miller, Alvin J. Vogel, representing National Association of Bank Auditors and Comptrollers; James H. Kennedy, A. K. Davis, E. V. Krick, and Evans Woollen, Jr.

A.B.A. Bank Management Commission Discusses FDIC Computation, Check Protest Procedure

At a two-day meeting of the Bank Management Commission of the A.B.A. in Chicago early in March discussions centered on several topics bearing directly upon bank operating procedure, including: (1) Simplified method of computing Federal deposit insurance, to be proposed to the FDIC; (2) a campaign to be launched soon on behalf of check standardization and simplification; (3) further improvements in the procedure followed in protesting checks and drafts; (4) revision of Commission's manual on bank cost accounting; and (5) uniformity of money bands and packaging of currency.

William A. McDonnell, chairman of the Commission and vice-president, Mercantile-Commerce Bank & Trust Co., St. Louis, presided at the sessions.

Prior to the meeting, the Commission's Committee on Check Routing Symbols and Transit Instructions met with representatives of the Committee on Collections of the Federal Reserve System to discuss further refinements in check protesting procedure and to explore ways and means of bringing about the adoption by banks of the check routing symbol plan.

The Routing Symbol Committee is composed of E. V. Krick, vice-president and cashier, American Trust Company, San Francisco, chairman; James H. Kennedy, vice-president, Philadelphia National Bank; and L. H. Hammerstrom, auditor, Continental Illinois National Bank & Trust Company, Chicago.

Also meeting with this group were Commission Secretary Melvin C. Miller and L. W. Bishop, vice-president, Philadelphia National Bank, who is a member of the Commission's Committee on Bank Money Orders and chairman of the Committee on Simplified Banking Forms and Procedure.

Farmers' Credit Data Sought by Commission

A.B.A. Group to Tell Story of Banks' Service

The Agricultural Commission of the American Bankers Association has mailed to 13,000 country banks a confidential questionnaire to obtain information about bank credit extensions to farmers and to farmers' cooperative associations.

From this information the commission will compile state and national figures on agricultural credit which will be used "to present the story of the splendid service being rendered to agriculture by the banks of America," said C. W. Bailey, chairman of the commission and A.B.A. vice-president, in a letter accompanying the questionnaire. Mr. Bailey, president of the First National Bank, Clarksville, Tenn., added: "The facts you can give are necessary for the A.B.A. to do this job. They are necessary also to inform farmers themselves, and their leaders."

States Approve A.I.B. for Veterans Study

GI's Can Take Courses in 143 Institute Chapters

One hundred and forty-three American Institute of Banking chapters in 27 states have been approved by the appropriate state agencies as educational institutions as required by the Servicemen's Readjustment Act of 1944, according to Leroy Lewis, assistant national educational director.

Under this arrangement, veterans enrolling in the regular curriculum courses of these A.I.B. chapters are entitled, under the GI act, to have their tuition paid and to other benefits of the act.

"In addition to their regular curriculum courses," Mr. Lewis said, "many chapters throughout the country are sponsoring series of refresher forum and seminar meetings, especially planned to meet the needs of servicemen and women, in which they are using to advantage the new textbook entitled, 'The Career of a Banker.' This book was prepared by the Institute and made available for the first time last Fall and is particularly valuable as collateral reading for former bank employees returning from military service who enroll in the refresher seminar series, or who may be taking on-the-job training in banks."

Written in narrative style, the book contains a review of banking principles and practices and touches on the highlights of commercial law, negotiable instruments, etc.

New Handbook Aids GI Loan Procedures

A.B.A. Committee Helps Banks Serve Veterans

To give banks complete information about procedures in making loans to veterans in accordance with the new regulations issued by the Veterans Administration effective March 1, the American Bankers Association has mailed to the banks a 30-page "Outline of General Administrative Procedures and Policies, Title III, Servicemen's Readjustment Act of 1944."

It was printed and distributed by the A.B.A. Committee on Service for War Veterans.

With the handbook is a 15-page pamphlet containing the regulations under Title III of the Act and samples of the nine forms which may be used in processing loans.

A.I.B. Preparing Text on Savings Banking

A new textbook on the fundamentals of savings banking operations is being prepared by the American Institute of Banking in cooperation with the Savings Division of the American Bankers Association, according to David T. Scott, Institute president.

"The text, now being written by savings bank authorities throughout the country," Mr. Scott said, "will provide for students working in savings banks and savings departments of commercial banks an introductory course to savings banking comparable to the 'Fundamentals of Banking' course which has been so successfully used as a basic course to both commercial and savings banking for many years."

This will be the first A.I.B. textbook ever written for the exclusive use of savings bank students, according to Assistant National Educational Director Leroy Lewis.

It is contemplated that savings students working for pre-standard certificates may elect to substitute this course for the "Fundamentals of Banking" course.

Mr. Lewis expects the book will not be available for chapter use before the second term of the 1946-47 school year, or possibly until the Fall of 1947.

Amy Made Secretary of Country Bank Group

Appointment of George R. Amy to the post of secretary of the Commission on Country Bank Operations of the American Bankers Association is announced by A.B.A. Executive Manager Harold Stonier.

Assistant secretary of the Commission for the past year and a half, Mr. Amy has been in direct charge of the cost analysis service which the Commission rendered to 3,000 country banks last year. The Commission under Mr. Amy's direction is now analyzing costs for approximately 5,000 banks, and is completing a service charge study soon to be published.

Mr. Amy is a native of Bangor, Pa. He is a graduate of Elizabeth, N. J., chapter of the A.I.B. class of 1931, and the class of 1944 of The Graduate School of Banking.

He began his banking career with the First National Bank in Bound Brook, N. J., in 1927. In 1942 he was elected an assistant cashier of the bank. He joined the A.B.A. staff in January 1945.

George R. Amy

A. G. Brown on President Truman's New National Famine Emergency Council

A.B.A. Deputy Manager A. G. Brown, who is director of Association's Agricultural Commission, has accepted an invitation from President Truman to serve as a member of the National Famine Emergency Council.

Mr. Brown's duties, according to the President, will be to further the objectives of the council "in promoting understanding of the facts about the danger of starvation of people in the war zones abroad and about the necessity to conserve food at home to meet those needs."

Nationals Seek Wider Real Estate Lending

A.B.A. Division to Ask Amendment of Law

One of the major objectives of the National Bank Division of the A.B.A. this year will be to recommend a change in Section 24 of the Federal Reserve Act to permit national banks to increase to 66⅔ per cent the loanable portion of appraised values of real estate, and to extend the credit for as much as 20 years, according to Norfleet Turner, president of the National Bank Division, who is also president, First National Bank, Memphis, Tenn.

In a letter to the members of the division, Mr. Turner said that national banking recognizes the desirability of a vigorous effort constantly to extend its services. "Looking to a broadened lending service of one type immediately our National Bank Division studied the effects of restrictions upon the real estate lending powers of national banks. They long have had an established position in this field. Conditions arose to challenge its sufficiency, however, and focused attention upon the necessity for relief from the dearth of suitable housing facilities.

John B. Mack, Jr., has been named secretary of the A.B.A. Public Relations Council

"Congress," said Mr. Turner, "has not yet indicated its readiness to consider change, but its responsibility for maintenance of a vigorous and aggressive national banking system seems to assure careful study of the amendment whenever it is reached."

Preliminary figures on the condition of national banks as of Dec. 31, 1945, indicate a very satisfactory increase in the aggregate assets during the last year, and an advance of approximately 20 per cent in loans and discounts.

CONVENTIONS

American Bankers Association

Apr. 14–16	Spring Meeting, Executive Council, French Lick Springs Hotel, French Lick, Indiana
June 10–13	American Institute of Banking Convention, Cincinnati, Ohio
June 17–29	Graduate School of Banking, Rutgers University, New Brunswick, New Jersey

State Associations

Apr. 4–6	Florida, Whitehall Hotel, Palm Beach
Apr. 8–9	Louisiana, Buena Vista Hotel, Biloxi
Apr 11–12	Indiana, Agricultural Clinic, Purdue University, Lafayette
Apr. 18	Illinois, Trust Division, Decatur
Apr. 25–26	Georgia, Sheraton-Bon Air Hotel, Augusta
May 1–3	Illinois, Jefferson Hotel, St. Louis, Missouri
May 2	Delaware, DuPont Hotel, Wilmington
May 8–10	North Carolina, The Carolina, Pinehurst
May 9–10	Massachusetts, New Ocean House, Swampscott
May 9–10	Oklahoma, Skirvin Hotel, Oklahoma City
May 9–11	New Jersey, Marlborough-Blenheim Hotel, Atlantic City
May 14–15	Mississippi, Buena Vista Hotel, Biloxi
May 15–16	Ohio, Neil House, Columbus
May 16–17	Alabama, Jefferson Davis Hotel, Montgomery
May 16–17	Indiana, Claypool Hotel, Indianapolis
May 17–18	New Mexico, La Fonda, Santa Fe
May 20–22	Missouri, Jefferson Hotel, St. Louis
May 21–23	Texas, Galvez Hotel, Galveston
May 22–24	California, Hotel del Coronado, Coronado
May 22–24	Kansas, Kansas City
May 23–24	Tennessee, Hotel Peabody, Memphis
May 24–25	South Carolina, Ocean Forest Hotel, Myrtle Beach
May 26–28	New York, Hotel Traymore, Atlantic City, New Jersey
May 27–28	Maryland, Marlborough-Blenheim Hotel, Atlantic City, N. J.
May 28–29	Arkansas, Arlington Hotel, Hot Springs
June 3–5	Colorado, Stanley Hotel, Estes Park
June 12–16	District of Columbia, The Homestead, Hot Springs, Virginia
June 12–13	Minnesota, Nicollet Hotel, Minneapolis
June 12–14	Pennsylvania, Bellevue-Stratford Hotel, Philadelphia
June 13–14	Washington, Davenport Hotel, Spokane
June 15	South Dakota
June 17–18	North Dakota, Gardner Hotel, Fargo
June 17–18	Oregon, Benson Hotel, Portland
June 19–20	Wisconsin, Schroeder Hotel, Milwaukee
June 20–22	Virginia, Cavalier Hotel, Virginia Beach
June 21–23	Maine,* Poland Spring House, Poland Spring
June 21–22	Utah, Grand Canyon National Park, Arizona
June 24–25	Wyoming,** Canyon Hotel, Yellowstone National Park, Montana
June 24–25	Montana,** Canyon Hotel, Yellowstone National Park, Montana
June 27–29	Michigan, Grand Hotel, Mackinac Island
Sept. 9–11	Iowa, Hotel Ft. Des Moines, Des Moines

Other Associations

Apr. 4–5	Pacific Northwest Conference on Banking, Washington State College, Pullman
Apr. 10–12	Bankers Association for Foreign Trade, French Lick, Indiana
May 15–17	National Association of Bank Auditors and Comptrollers, West Coast Region, Seattle, Washington
July 28–Aug. –10	Central States School of Banking, University of Wisconsin
Sept. 19–21	Savings Banks Association of Massachusetts, New Ocean House, Swampscott
Oct. 7–10	Financial Advertisers Association, San Francisco, California
Oct. 14–16	Savings Banks Association State of New York, Chateau Frontenac, Quebec
Oct. 21–23	National Association of Bank Auditors and Comptrollers, Oklahoma City

* (Tentative) ** (Joint Meeting)

STATE ASSOCIATION ACTIVITIES

The Biggest Customer

"The veteran of World War II is . . . a generation. He will be your biggest customer. He will own your bank. He may be the president of your bank. He will be the President of your country. He has a lot to say now and will have more to say later. You will be living with him from now on. The way you treat him now will have much influence on the way he treats you later on."

— CHESTER R. DAVIS, chairman, A.B.A. Committee on Service for War Veterans.

A RECENT survey by the American Bankers Association shows that the state bankers associations are taking an active part in helping banks serve the veterans of World War II.

Thirty-two associations have appointed special GI committees, while six have specifically delegated responsibility to existing committees.

Forty-seven associations have held special meetings to instruct bankers about the GI act's provisions and to discuss banking's responsibility to veterans. Meetings generally took the form of panel discussions, open forums, and speaker-addressed sessions. State secretaries, in most cases, report that better than 80 per cent of banks in their states were represented at such meetings.

Twenty-six associations publicized and some distributed A.B.A.-prepared talks on GI loan provisions to member banks.

Fifteen are working on special projects, such as advertisements, booklets, radio scripts. Others plan similar projects.

Here are some highlights of state association-sponsored veteran activities in the various states:

GROUP meetings for the purpose of explaining lending provisions of the GI act and discussing banking's responsibility to veterans were held in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, Virginia, Washington, West Virginia, Wisconsin, Wyoming, and the District of Columbia. Similar meetings were sponsored by the savings banks associations in Connecticut, Maine, Massachusetts, New Hampshire, New Jersey and New York.

The Kansas and Washington bankers associations pioneered with the first approved veteran training programs to be offered by state bankers associations to their member banks. In line with the act's provision for an earn-while-you-learn educational program, these state associations have been granted permission to qualify all banks in their states electing to participate, provided they meet requirements. Washington reports that substantial numbers of veterans have been employed under their program by banks in Seattle, Tacoma, Spokane, Everett and Walla Walla.

Other state associations currently studying veterans' job training programs for banks in their states are Illinois, Minnesota, Oregon, and Wisconsin.

The Colorado Bankers Association participated in a GI roundtable radio series, "When the Boys Come Home," sponsored by the Colorado Veterans' Council, which covered loans, insurance, jobs, and other veteran problems. Broadcast over NBC's Denver station KOA, the series extended over several months.

THE New York State Bankers Association aimed at creating 100,000 new businesses to offset lag in business growth suffered during the war. A program to develop and expand small business in the state has been launched by the New York State Department of Commerce. Actively collaborating with the Department of Commerce, the New York State Bankers Association assisted in the preparation of data as well as in promoting the program. Participation of banks is invited and a "small business plan kit" of sample ads, booklets, news releases and other materials is provided member banks as ammunition in telling the public about the job banks are doing in providing credit for small business and guidance for small business men. The complete series of 10 booklets covers all major problems involved in opening and operating a small business. The program makes special appeal to veterans who likely will constitute a large proportion of tomorrow's small business men.

Savings banks of Group V, Savings Banks Association of the State of New York, have prepared a GI reference kit of information on veterans' rights and benefits. The feature of the kit is a file for finger tip reference to questions on the act and other veteran regulations. Supplements will keep it up to date as revisions, amendments and new material become available.

An earlier Group V veterans' project was the development of a motion picture, "For Services Rendered." The film, available to clubs, churches, civic groups and other organizations, tells the story of the GI benefits and serves to emphasize the role of the bank as a source of counsel and assistance for the veteran.

The Wisconsin Bankers Association's veterans' GI service committee, through a series of meetings during 1945, carried information on the loan provisions to bankers in every county of the state. The association supported Industry for Veterans, Inc., in its efforts to obtain pledges from industry assuring veterans job opportunities upon their return, by leading a drive among Wisconsin banks to get statewide banking cooperation.

THE VIEW FROM HERE

The prevailing optimism on the North American continent is dangerous if it diverts attention from world problems which have to be faced, G. F. Towers, governor of the Bank of Canada, told the annual stockholders meeting.

★ ★

Mexico's foreign trade is hampered considerably by deficient transport and utter congestion of rail and water shipping facilities. Because of it the country "is practically isolated", states a study by the Mexican Confederation of Chambers of Commerce.

★ ★

Official banking statistics reveal that commercial, industrial and agricultural loans of reporting member banks in New York have reached an all-time high of about $3 billion.

★ ★

Corporate working capital, by a gain of $2.9 billion, rose to $50.9 billion on October 31, according to a quarterly SEC report. Roy A. Foulke, vice-president of Dun & Bradstreet, Inc., shows in a survey that small and medium sized manufacturers retained greater earnings during the war than "big business."

★ ★

Dean John T. Madden, director of the Institute of International Finance at New York University, advocates in a special study that the Treasury should refinance a portion of maturities in bank-eligibles 1¼s and 1½s instead of refunding with certificates.

★ ★

With the pledged support of 633 out of 653 member banks, the Iowa Bankers Association reported a statewide radio advertising program under way on 13 broadcasting stations.

★ ★

Keehn W. Berry, president of Whitney National Bank, New Orleans, urged the Louisiana Bankers Association to reduce government obligations held by banks through sales to investors, warning also against overengagement in term loans.

★ ★

Predicting the most prosperous year in peacetime history, Leo M. Cherne, executive director of the Research Institute of America, forecast price rises until June, when this tendency would be stemmed "by overwhelming productive capacity."

★ ★

The Netherlands has received a $125,000,000 loan from the Ottawa government to purchase Canadian goods. The credit is repayable in 27 annuities from 1950, with interest at 3.05 per cent.

★ ★

An export insurance bill, patterned on the British law, has been drawn by the subcommittee on foreign trade of the Senate Small Business Committee. "Inhospitality to imports" is the biggest argument against the measure, said Herman Edelsberg, special counsel for the committee.

★ ★

The Sun Life Assurance Society, London, decided to exempt death from atom bombs from all future policies. Companies here have not thought much of this problem and several state laws have prohibited heretofore limitations specifying one death from another.

★ ★

French industry plans a 25 per cent to 50 per cent expansion of production with a substantial part scheduled for export, according to spokesmen, here for study of American methods.

★ ★

An estimated 12,000 of the country's 15,000 banks are ready to make consumer loans, Carl M. Flora, chairman of the A.B.A.'s Consumer Credit Committee, said recently.

★ ★

Savings and loan associations and cooperative banks reached total assets of $8.6 billion on December 31, nearly reaching the previous 1930 peak of $8.8 billion, according to the United States Savings and Loan League.

★ ★

Members of the Iowa Bankers Association were warned by Frank C. Rathje, A.B.A. president, to prepare their balance sheets for a gradual reduction in War Loan accounts.

★ ★

Reserve Board Chairman Eccles called for a balanced budget, high taxes and price control as a means of combating inflation.

★ ★

The 251 year-old Bank of England ceased its private existence on February 28 with the last weekly meeting of its "court." It was nationalized as of March 1.

★ ★

There is no place in the austere British economy at present for imports of consumer goods, no matter how much they would be welcomed, according to Don C. Bliss, Jr., United States commercial attaché in London, now here on a visit.

★ ★

Transactions in Dutch guilders are being made now at 38 cents to one florin, against 53 cents before the Nazi invasion. China changed its foreign exchange rate and tightened its control to stem the wild inflation in that country.

★ ★

To take care of a proposed $1 billion loan to Russia and a $2½ billion credit to France, an increase in lending power of $1¼ billion for the Export-Import Bank has been urged by the National Advisory Council.

North of the Border

THE Canadian counterpart of the CIO has stated its policies, for the guidance of its member unions. Briefly, the case is for higher wages and reduced working time, 40 hours per week or less. Yet the sponsors of this case urge that prices not be allowed to rise to meet any wage increases and that the Dominion Government abandon its wage-control system which was designed in 1941 as an essential part of the wartime price control organization. Failure to meet these conditions will result, according to some labor leaders, in the biggest wave of strikes experienced in many years. This may be an extreme view not shared by conservative labor heads but it finds a good deal of favor at present among the rank and file. If this view is translated into widespread action it will delay further an industrial revival which has been possible for some months past. In fact, a slight upturn did occur early this year but the progressive movement was reversed when the effects of the American motor and steel strikes were felt in Canada.

Canada has raised to over $2 billion her stake in foreign trade by agreeing, subject to Parliamentary approval, to grant a credit of $1¼ billion to Britain. The latter amount is in addition to credits previously arranged with France, Holland, the Dutch East Indies, Norway, Belgium and China, aggregating more than $800 million, apart from $200 million in insurance guarantees to protect Canadian exporters against losses in foreign commerce.

THE credit agreement with Britain is on practically the same terms as that now pending in the United States. The Canadian loan will be available up to 1951, with no interest payments in the interval. Repayment is spread over the next 50 years, with interest at 2 per cent.

Agreement has also been reached on outstanding war and trade accounts between Canada and Britain. A balance of $500–550 million on an interest-free war loan of $700 million in 1942 is to be extended until 1951. Canada will cancel $425 million owed by Britain on the Empire air training program conducted in Canada during the war. A residue of other war and early postwar debts will be settled by a cash payment of about $150 million by Britain. The new credit of $1¼ billion, plus the extension of the 1942 loan, the wiping out of the air training debt and outright gifts of $3.1 billion by Canada in the last years of the war, will raise the total aid to Britain to over $5 billion since 1940.

The Canadian Parliament is expected shortly to ratify the proposed new loan against some opposition from Quebec nationalists which will probably be more noisy than well-founded or effective.

Part of all the foreign export credits arranged by Canada has already been used up and some of it is reflected in recent export returns. There probably remains, however, at least $1½ billion yet to be availed of and registered in Canadian production and trade records. The unused amount will of course stimulate export trade which has been on the decline for some months consequent upon the elimination of practically all war goods. A feature during this period, however, has been quite a marked increase in straight commercial exports, namely, those purchased by other countries from their own resources. A decline of more than 20 per cent in such exports to the United States has been practically offset by larger sales to Latin America and other areas outside the credit and sterling territories. About one half of total exports is now of straight commercial character and this proportion is approximately equal to the average of all prewar exports.

A rather unique classification of bank deposits and loans in Canada appears about this time each year. This is compiled from reports furnished as of October 31 by all commercial banks. The

(CONTINUED ON PAGE 123)

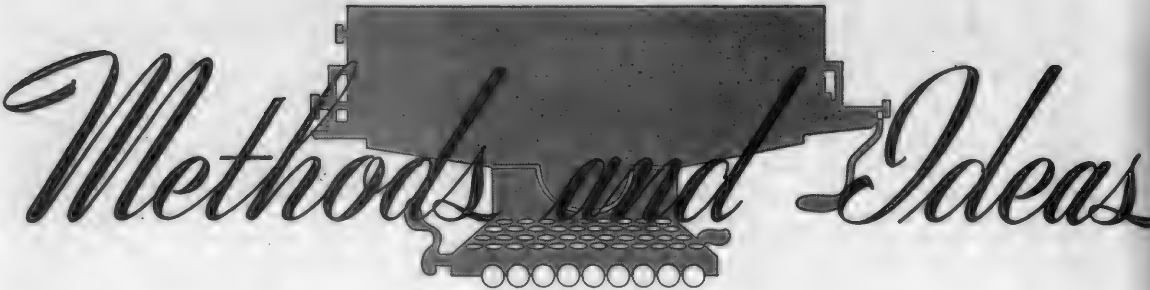
Annual Classification of Demand and Notice Deposits as at October 31, 1945

Demand Deposits	*Number (Thousands)*	*Amount (Millions)*
$1,000 or less	592.0	166.3
$1,000 to $5,000	133.2	289.0
$5,000 to $25,000	34.9	344.0
$25,000 to $100,000	6.7	307.2
Over $100,000	2.5	1,159.8
Adjustment items	....	+30.6
Total	769.3	2,297.0
Notice Deposits		
$1,000 or less	4,988.7	862.3
$1,000 to $5,000	584.2	1,142.9
$5,000 to $25,000	60.0	497.0
$25,000 to $100,000	3.1	133.4
Over $100,000	.8	347.8
Adjustment items	...	+8.3
Total	5,616.7	2,991.6

Annual Classification of Loans in Canada as at October 31, 1945

(*Millions*)

Provincial and municipal governments and school districts	31.7
Agriculture:	
Farmers' loans; cattle loans; fruit raisers	71.3
Loans to grain dealers; grain exporters and seed merchants	109.5
Total Agriculture	180.8
Financial:	
Call loans and other accommodation to brokers, dealers, specified institutions and individuals against securities	337.3
Total Financial	337.3
Merchandising; wholesale and retail	153.9
Manufacturing of all descriptions	250.6
Mining	11.5
Fishing; including loans to packers and curers of fish	11.4
Public utilities; including transportation companies	7.8
Loans to building contractors and others for building purposes	47.6
Loans to churches; hospitals; charitable and religious institutions	6.4
Other loans	100.4
Total Loans in Canada	1,139.5



Handling the War Loan Account

Here are some excerpts from a talk by Frank C. Rathje, *president of the American Bankers Association, before Group I of the Iowa Bankers Association.*

President Truman's budget pronouncement of January 1946 is tremendously important to bankers, not because of the specific figures cited in it, but because of the changed trend of events it signifies. Deficit spending may continue, though for the sake of sound government finance and the preservation of a balanced price structure, I sincerely hope that it will not. But even if deficit spending should continue, it will not be in the magnitude of wartime deficits. For this reason, the size of Treasury war loan deposit accounts will be substantially reduced.

The budget message, therefore, may be taken as an announcement to the banks that the Treasury war loan deposit accounts will be substantially reduced and will reach a level considerably lower than the levels of the last five years. Consequently, every bank must be certain that its financial structure is arranged to make the adjustments required by such a development. The basic effect of reduced Treasury war loan deposit accounts is that there will be a pressure exerted on the bank's liquid position.

This can be illustrated by reference to the two extremes of possibilities. If the reduction in the Treasury deposit account is not replaced by any ordinary commercial deposit accounts, the bank will have lost liquid reserves by the amount of the reduction in the Treasury deposit accounts. This may represent a considerable pressure on the liquid position of some banks. If the reduction in the Treasury deposit account is replaced in full by additional commercial deposits, the bank's reserve requirements will be increased by 14 per cent to 20 per cent of the amount, depending upon the reserve requirements to which it is subject. This would represent a smaller, though nonetheless significant, decrease in the liquid position of the bank. What will actually take place will be somewhere between the two extremes. The result will be that war loan deposits which require no legal reserves will be decreased and replaced in part by individual and business demand and time deposits which require full legal reserves.

The effect described may be further magnified by interregional shifts in ordinary commercial deposits. If the geographical pattern of postwar spending differs from that which was experienced during the war, important shifts in the geographical location of commercial deposits will take place. Every bank should study the trends in its own particular region and be prepared to make whatever adjustments will be required.

All these comments have significance for what the individual bank should hold in its government bond portfolio. A useful standard for guidance is that the Treasury war loan deposit accounts and the anticipated shift of ordinary commercial deposits should be covered by short term government securities. Since the total Treasury war loan account will be reduced to approximately 10 per cent of its January 1946 level by July 1947, it would be prudent to cover this liability by an equivalent amount of short term government securities which can be converted into cash as instalments on the war loan account are called for payment.

It follows from this that a bank should not have a disproportionate quantity of long term governments in its portfolio. There is another useful policy standard which should be given consideration in this connection. A bank should study carefully the amount of long term government bonds proper for its portfolio. It should hold an amount no larger than it can carry to maturity without having to transfer or dispose of its holdings to meet obligations that are likely to arise. It is probable that if these standards are observed in the future there will be a decreased volume of bank funds used for the purchase of longer term government bonds.

Furthermore, the financial position of every bank must be flexible enough to meet any set of circumstances that is likely to arise. This transition period is one of rapid shifts in government policy and business conditions. Many artificial elements, difficult to forecast by ordinary methods of business analysis have been injected into the economic situation. *A bank must therefore build maximum flexibility into its financial structure.* This principle may be illustrated by reference to bond premium accounts. Bond premium accounts must, of course, be regularly amortized.

In addition, it is my considered judgment that *fluctuations in market prices should be provided for by adequate reserves.* By doing so, a bank renders itself less vulnerable to adverse market developments which, if not at present probable, are nevertheless possible.

Accounts Receivable Yardstick

WILLIAM H. HURTZMAN

This article is taken from a thesis which MR. HURTZMAN, *of The First National Bank of Philadelphia, wrote in connection with his studies at The Graduate School of Banking. He is a member of the Class of 1944.*

SINCE banks and finance companies, working the non-notification plan, do not assume the credit risks on pledged receivables, it is vitally important to maintain proper margins.

While there are many methods of determining the advance rate on accepted receivables, practically all students recommend a rate of advance not above 90 per cent or below 40 per cent. If receivables are in such condition that a bank must have a 60 per cent margin, it would be wise not to do business for obvious reasons. Any business whose debtors as a whole are such poor credit risks is in a precarious position. It appears that an advance of 90 per cent is about as high as can be safely loaned and still retain a margin sufficient to guard against returns, allowances, discounts, collection costs, etc.

The following factors should be given due consideration when determining the advance rate or setting up of a formula for determining rate advances:

(1) A method of eliminating to a fair degree accounts that are not desirable from a credit rating, size, or paying record.
(2) Slower-than-average term payment accounts should not have as high a rating as prompt paying accounts.
(3) The borrower's line of business and the kind, number, and diversification of debtor customers.
(4) The ratio of returned merchandise to sales.
(5) Elimination of the average percentage of profit.
(6) Cash discounts and allowances.
(7) An average bad debt percentage to total receivables.
(8) A cost of collection reserve if the bank is forced to liquidate the receivables.

With these points in mind, together with the experience ratings, trial balances, and aging of accounts schedules, a fair rate of advance can be determined. The following schedule for determining the advance rate, while not perfect due to changing business conditions, appears to the writer to demonstrate to a fair degree the percentage of advance which should be allowed. Of course, these percentages would vary for the type of business and the risk involved.

Total Accounts Receivable After Eliminating Contra Accounts $200,000

	Schedule	*Percentage*	*Value*
Accounts due within 30 days...	$120,000	100	$120,000
Accounts 30 days past due.....	40,000	90	36,000
Accounts 60 days past due.....	20,000	70	14,000
Accounts over 60 days past due.	5,000	0	0
Other accounts..............	15,000	0	0
Total....................	$200,000		$170,000
Appraised value to total value............			85%

Less:		
Risk hazard in customer's business......	2	
Percentage of returned merchandise to receivables..........................	1	
Elimination of average profits...........	5	
Discount allowance (average)...........	1	
Bad debts (after percentage)...........	1	
Collection reserve and other miscellaneous items............................	5	15%
Indicated rate of advance................		70%

As an example, the figures supplied above indicate that the borrower has $200,000 in receivables after the elimination of contra accounts—accounts offset by accounts payable. Current accounts with good credit ratings amounting to $120,000 are valued at 100 per cent. Slower accounts totaling $40,000, still good but not as prompt, also with good credit ratings are given a percentage value of 90 per cent or a dollar value of $36,000. The next section of $20,000 are accounts that are still slower pay, but fairly good credit risks. A value of 70 per cent or $14,000 is placed on this group.

The "over 60 days section" comprises accounts which are a continual source of trouble. In all probability they will be paid, but in the meantime will be bothersome. This section should not be given any value. However, it is an additional backlog to pledge them with the other collateral. The eliminated accounts are those showing up as poor credit risks and should be given no value. However, there may be some value. Therefore they are treated the same as the previous item.

By dividing the total receivables to be pledged ($200,000) into the percentage value of the receivables ($170,000) the advance rate to be given before adjustment results.

The deductions from the advance rate before adjustments are self-explanatory and mostly represent surveys over the last two or three years plus a general business experience. After these deductions are applied, the resulting percentage will give a fairly accurate and conservative advance that can be made against the receivables pledged as collateral. In the above case, a rate of advance on the $200,000 pledged would amount to $140,000.

While the above formula is not absolutely accurate, it is a fair measuring rod and, if revalued every month or two, will provide a device to help determine certain trends of the customer's business. It can be assumed that the borrower will sell about the same type of accounts between valuation periods. Therefore, outside of having the bank's custodian check credit information on new accounts, the indicated rate of advance can be made on new loans between valuation periods. The customer, however, should thoroughly understand that the rate of advance is subject to change and, if his collection falls below par, his advance will be lowered.

Methods and Ideas BRIEFLY TOLD

A School and a Bank

JOHN J. McCANN

HARDING Junior High School in Philadelphia is using an unusual method of presenting banking facts to students.

The program is the outgrowth of contacts with the school over a five-year period by officers of the CORN EXCHANGE NATIONAL BANK AND TRUST COMPANY, and group visits by pupils to the bank's main office. Bank officials occasionally give informal talks on banking in the school auditorium.

Fred Kane, head of Harding's junior business training department, prepared an eight-page questionnaire. One section is headed "What Am I?" There are five clues for each subject discussed, and maximum credit is given if the subject is identified from the first clue. Here is a specimen:

"(5) Some modern banks photograph me.

"(4) In time I am returned to my creator. He gave me away before I was in my present condition and that was the start of my travels.

"(3) Strange to say, every person I visited scratched my back and sent me on my way.

"(2) Finally I was filled with small holes which spell a word, and returned whence I came.

"(1) Now I am kept as a receipt."

The answer, of course, is "A check."

Other sections of the questionnaire touch on the history of banking, the kinds of banks, correct practices in preparing deposit slips, writing and endorsing checks, and other facts relating to banking service.

"We find that the questionnaire developed greater interest in banking services and banking practices," said Joseph H. Carpenter, principal of the school. "It gives students an appreciation of bank conveniences, and gives them facts that will be useful later in the business world. Instead of regarding a bank as something remote and mysterious, students get to know something of the importance of banks to business and industry and in our private lives. Group visits to Corn Exchange showing banking practices in operation will help students in remembering what they have learned."

Progress

"Picture of Progress," an illustrated booklet, was circulated by the DOLLAR SAVINGS BANK of New York as a report on the bank's activities and growth during 1945. It was sent to more than 8,000 banks, investment firms, real estate brokers, business organizations, schools, churches and individuals.

In photograph and text the booklet highlights such events as the opening of its 200,000th account, a War Bond sales contest, its investment of more than $177 million in government bonds, its cooperation with the Red Cross, the progress of the life insurance department, and the observance of birthday No. 55.

Loan Merchandising

The MARSHALL & ILLSEY BANK of Milwaukee recently circulated three novel promotional folders. One is a suggestion to the housewife to pay off bills with a bank loan. Another suggests that she come in and establish her bank credit to be ready to pay cash for the new postwar products she wants. It stresses three advantages to this method of buying: one instead of many visits to credit offices; one instead of many credit investigations; and one instead of many monthly payments. The third folder advises the prospect that the first move in buying a new home is to visit the bank and assure a financing method which will not prove a burden.

Savings-Insurance Plan

The NEW YORK SAVINGS BANK features a combination life insurance and savings plan at $5 a month (or any multiple of five). The applicant takes the usual physical examination for life insurance and makes his initial deposit. He receives his policy and begins to save at the same time. Premiums are automatically paid out of the savings. The bank advertises the double advantage of interest on savings and the low cost of savings bank life insurance. If, in an emergency, the client wishes to withdraw his savings, he may still keep his policy in force. Or if he wishes to discontinue the plan entirely, he receives the savings plus interest, and cash value of policy with dividend accumulations.

Livestock Statement

The STOCK YARDS NATIONAL BANK of South Omaha issues monthly a statement of receipts and disposition of live stock at the South Omaha Market, giving also comparative top prices paid for live stock during the month. The statement, presented in a two-page folder, is distributed to clients and possible clients in the South Omaha Market.

California

BANK OF AMERICA has prepared a 25-page brochure in four colors presenting market facts about California, graphically and pictorially illustrated.

It Started in a Hospital

The BANK OF VIRGINIA BEACH, Virginia, which opened for business last June, had its origin in a U.S. naval hospital.

Before Edward H. Church, the new bank's president, entered the Navy as a lieutenant in November 1942, he was

(CONTINUED ON PAGE 88)

Claire Hunsberger, a student at Harding Junior High School, Philadelphia, handles part of $1 million displayed for a group of students who visited the Corn Exchange National Bank and Trust Company. At the right is John E. Glocker, head teller

1871 • OUR SEVENTY-FIFTH ANNIVERSARY • 1946

Going Ahead!

The growth of Southern California and of The Farmers and Merchants National Bank of Los Angeles, in the past 75 years, has been simultaneous. We are proud of our part in the development of Los Angeles, the Nation's 4th largest city, its business and industry.

In three quarters of a century, through "Sound Progressive Banking," we have established relationships with firms of outstanding character throughout this continuously growing Southwest area, that enable us to represent our Correspondent Banks ably and promptly.

THE FARMERS AND MERCHANTS NATIONAL BANK OF LOS ANGELES

FOURTH AND MAIN STREETS
LOS ANGELES 54

THE OLDEST BANK IN SOUTHERN CALIFORNIA

MEMBER, FEDERAL RESERVE SYSTEM
FEDERAL DEPOSIT INSURANCE CORPORATION

BRIEFLY TOLD—Continued

executive vice-president of the Southern Bank of Norfolk. On active service continuously for two years, he was sent to the U.S. Naval Hospital in Portsmouth, Virginia, in the Fall of 1944 with chronic arthritis. He was discharged late that year.

"While a patient there," he writes, "I, with a group of friends, started to organize this bank. First we sold the stock to 120 stockholders, raised $100,000 capital and $50,000 surplus. After obtaining the subscriptions to the stock, we made application to the state banking authority of Virginia and the Federal Deposit Insurance Corporation for permission to open our bank here at the Beach. It was necessary that we obtain letters and petitions certifying that there was a necessity for the bank. That permission was finally granted on December 27, 1944.

"Immediately we made application to the War Production Board for permission to erect our own building. Every-

thing up to this point seemed easy in comparison to obtaining permission to build. Finally, on February 22, 1945, we got it and started almost immediately to erect our building. We opened June 5, 1945."

Houston

The NATIONAL BANK OF COMMERCE, Houston, issues a pocket-size brochure on "The Port of Houston and *Reconversion* Days." It is a factual presentation of tonnage records, vessels registered, and the concentration of $300 million in plants and equipment invested by 50-odd industries in the area. Its theme aims, of course, at the tremendous potentials for Houston as a focal point for Latin American trade—exports, imports, and coastwise trade.

Checker Uppers

A large midwestern bank has set up a small informal committee of officers and departmental heads whose job is to examine methods and operations with the view to pointing up efficiency, eliminating those carried on from habit or tradition which have little practical value, and those which are wholly unnecessary.

The committee found many practices in force which grew like barnacles out of hand-me-down routines in many departments. For example, one division had been in the habit of checking payee endorsements on insurance checks, taking the time of two clerks. On investigation and discussion with insurance customers it was found that the whole procedure was unnecessary from a practical standpoint, and was merely performed because it had been handed down from one clerk to his successor over a period of years.

There was another case involving a small eastern correspondent bank which had requested, back in 1907, that whenever its deposits reached a certain balance a substantial amount be transferred to its New York correspondent bank. Faithfully through the years this account was automatically lopped off when it reached a certain balance. A little inquiry showed that there was no particular point in carrying on this practice, in fact the bank was pleased to correct the situation immediately.

While many banks have examining committees of one sort or another, their approach is frequently from a negative angle—"there's something wrong, and we'll find it if it takes all day." This committee, however, has a constructive twist in its researching, and the results attained pay dividends in time and money saved.

Compare

The First National Bank of Glens Falls, New York, takes the bull by the horns when it comes to talking about lending rates. In a recent advertisement headlined "Compare these costs *before you borrow*," rates published by a local lending company versus bank rates were illustrated for loans of $75, $150, $225 and $275. The loan company's rate of 2½ per cent per month on loans up to $100, and 2 per cent per month above that figure showed an interest charge of $42.40 on a 12-month $275 loan. The bank rate of one-half of 1 per cent per month or 6 per cent per annum cost in comparison a total of $16.50, a saving of $25.90 to the borrower.

New Treatment

A novel way of indicating location of various departments on the main banking floor is suggested by the Commercial National Bank of Peoria, Illinois, in its recent annual statement folder.

Using a two-page spread, a view of the floor plan is given on a reverse screen, cut away in vignette form. The drawing shows counters, desks, etc., and each are keyed by number to a list at the side. It is easy for the uninitiated to take a mental walk through the bank and locate the proper window or desk for the service he requires.

Shopper's Plan

The Buffalo Industrial Bank has inaugurated a new credit plan which eliminates credit checking of customers by store credit managers. The system, called the "Bankway Plan," puts it up to the individual to establish his credit.

President Truman, on the radio, opens the 1946 Red Cross drive.

INTERNATIONAL

1846 — 1946

As it completes One Hundred Years of Transportation Progress...

PENNSYLVANIA RAILROAD REPORTS FOR THE YEAR 1945

INCOME STATEMENT

		Year 1945	Comparison with 1944
INCOME:			
Operating Revenues	Freight	$603,561,529	D $70,833,779
	Passenger	258,864,371	D 1,940,611
	Mail	14,821,654	D 21,015
	Express	10,836,165	D 1,327,154
	Other	48,369,692	I 560,058
		936,453,411	D 73,562,501
Other Income—chiefly dividends and interest on securities owned		*42,990,622	I 3,717,973
Total		979,444,033	D 69,844,528
EXPENSES:			
Operating Expenses		783,947,431	I 47,628,686
Taxes		54,340,013	D 98,498,395
Equipment and Joint Facility Rents		10,985,428	D 901,265
Rent for Leased Roads, Interest on Debt, etc.		81,162,923	D 2,361,361
Total		930,435,795	D 54,132,335
Net Income		49,008,238	D 15,712,193
DISPOSITION OF NET INCOME:			
Appropriations to Sinking and Other Funds, etc.		3,680,996	I 436,438
Retirement of Debt—Pennsylvania R.R. Co.		†	D 18,767,970
Dividend of 5% ($2.50 per share)		32,919,385	—
Balance of Income		12,407,857	I 2,619,339

*Includes dividend of $5,000,000 (par value) in securities received from Pennsylvania Company.

†$21,189,880 of debt was retired from current cash and other assets in 1945.

RESULTS FOR THE YEAR

The high level of business that prevailed during the war years continued during 1945, the volume being the third largest in the Company's history, and exceeded only in 1943 and 1944.

Costs of operation constantly increased due to higher costs of labor and higher costs of materials. Operating revenues of the Company declined $73,562,501, caused by the cessation of hostilities and labor disturbances in some of the larger industries. Expenses of operation increased $47,628,686, including $41,395,479 to cover the unamortized portion of the cost of emergency facilities required for the prosecution of the war. The Net Income in 1945 was $49,008,238 compared with $64,720,431 in 1944, a decrease of $15,712,193. Notwithstanding this decrease in Net Income, dividends paid in 1945 were maintained at the same rate paid in 1944, 1943 and 1942—5% ($2.50 per share).

TRANSPORTATION FOR THE FUTURE

The country's vast system of airways, highways and waterways will be expanded at the Government's expense, while all of the improvements for the railroads will be privately financed. The problems with which the railroads are faced as a result of the war should have intelligent consideration by state and national authorities wherever regulation restricts the opportunity for the rails to move forward.

The railroads want no subsidy; they want equity. They are a heavily taxed industry competing with subsidized industries, and all they ask is equality of opportunity.

As the railroads planned to meet the requirements of war, so they are planning for the opportunities of peace, and given a fair and equitable chance they will furnish the public the best in freight and passenger service.

TAXES

The Pennsylvania Railroad Company during the war years paid in taxes and disbursed for improvements and repairs, to meet the war load a sum of money equal to the entire debt upon the property. A national railroad system without any debt would place the railroads in the same position as their competitors, as the Government furnishes a large amount of the capital for the waterways, the highways and the airways.

There was much deferred maintenance during the war period. The Interstate Commerce Commission gave the railroads authority to create reserves to meet this situation. The taxation system, however, would not permit them to take any tax benefit on reserves so created, and money that should have been set aside for this purpose was taxed the same as other income. Deferred maintenance must, therefore, be paid out of post-war earnings, and the more the post-war earnings are siphoned off through taxation, the less will be the money the railroads can spend on rehabilitation and improvements.

Railway taxes, after adjustment by tax credits of $24,443,381 for prior war years, together with Unemployment Insurance taxes of $12,741,141, and Railroad Retirement taxes of $13,802,891, aggregated $54,340,013.

LEGISLATION

To clarify the intent of Congress with

respect to carriers subject to the Interstate Commerce Act, and to resolve any regulatory conflicts with the Antitrust laws, Congressman Bulwinkle of North Carolina introduced a bill, H. R. 2536, known as the Bulwinkle Bill, which gives such carriers protection from the Antitrust laws only to the extent that their acts and procedures have obtained prior Commission approval. The Bill was endorsed by the Interstate Commerce Commission and numerous state commissions, and by public and commercial bodies and by shippers and producers generally. It was passed by the House by a large majority and now awaits action by the Senate.

To insure consistent policies with respect to legislation, and the future efficiency of the transportation system, the Bill is worthy of the earnest support of the people, who have recently seen the vital importance to the nation of the ability of the carriers to work together in the public interest.

FREIGHT AND PASSENGER RATES

The railroads have done the war job with practically no increase in freight rates and a relatively small increase in passenger fares—2/10 of a cent per mile in basic coach fares and 3/10 of a cent per mile in fares good in Pullman cars.

The year 1946 will be one of greatly increased cost of operation and maintenance with a decreasing business, and it is therefore imperative to consider the need for increased railroad freight rates.

The railroads were granted a 5% increase in freight rates, in May, 1942, which however was suspended until six months after the war; but, as the situation appears to be developing, it will be necessary for the railroads to petition the Interstate Commerce Commission for an increase greater than that under suspension, in order to meet greatly increased expenses and avoid deficit operation.

Large expenditures must be made for the rehabilitation of the railroads. All of these necessities will require money in large amounts. Money requires credit, and the credit of the Company is very much affected by the rates at which the business is carried.

REDUCTION OF FUNDED DEBT

Maturities during the year amounted to $11,807,880, which together with other debt retired and canceled amounting to $9,382,000, made a total reduction of $21,189,880 in 1945. This reduction was offset, in part, by the issuance of $16,290,000 Equipment Trust Obligations.

In addition, as a result of refinancing of bonds and purchases from the public, other debt of System Companies was reduced $5,380,087.

The debt of the System in the hands of the public was, therefore, reduced $10,279,967 in 1945, making a net reduction of $148,670,000 during the last six years.

REFINANCING OF BONDS

The Company continued its policy of taking advantage of the prevailing money rates to refinance certain of its bonds, as well as those of its affiliated companies, and was able to make some very advantageous refundings, from which it will ultimately realize approximately $47,000,000 of savings.

EQUIPMENT

The ending of the war made it possible to acquire materials for construction of passenger cars, and there are under construction one hundred and twelve modern passenger train cars, of lightweight construction, of which ninety are being built in Altoona Shops, and twenty-two by an outside builder. They are the finest type ever to be built for the Company, and are especially designed for safety.

Since the close of the year, orders have been placed with outside builders for the construction of two hundred and fourteen passenger train cars of which one hundred and fifty-nine are to be sleepers, for the improvement of the post-war passenger service on the railroad.

Twenty-five of the largest and most modern steam freight locomotives and tenders were placed in service during the year. Orders were placed for fifty additional steam passenger locomotives and tenders and part of the order was delivered. One Diesel electric passenger locomotive was delivered during the year, and ten more were ordered.

On December 18, 1945, the District Court of the United States for the Eastern District of Pennsylvania approved the sale by Pullman Incorporated to a Buying Group of Railroads of all the outstanding stock of its wholly owned subsidiary, The Pullman Company, which owns and services the sleeping cars.

The Pennsylvania Railroad Company, as one of the railroads in the Buying Group, has purchased from The Pullman Company 142 lightweight sleeping cars assigned for service on its lines, as well as 123 regularly assigned parlor cars.

RESEARCH

The Company, always seeking through research in science and technology, through discovery and invention, to be in the forefront of progressive improvement in railroad travel and shipping, has continued to move forward during the year. Through its own research staff, through the research laboratories of the Association of American Railroads, and cooperatively with equipment manufacturers, the Company is alert in utilizing to the utmost improvements in the field of electronics, metallurgy, chemistry and engineering, which can be applied to increase the efficiency, comfort and safety of rail transportation.

EMPLOYES

As we come out of the war and enter the peace, it is a pleasure to acknowledge the efficiency and loyalty of the employes of the Pennsylvania Railroad and their devotion to duty.

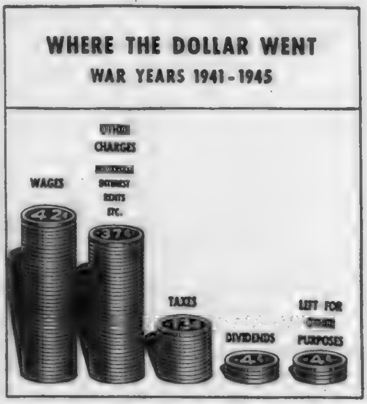
From the low ebb of the depression in 1938, with a depleted force, the Company moved into the heavy traffic of the war, met the peak load of its history, both passenger and freight, and is moving into the reconversion era. The Management wishes to acknowledge the splendid way the employes served their Country and the Company by meeting successfully every emergency they were called upon to face.

STOCKHOLDERS

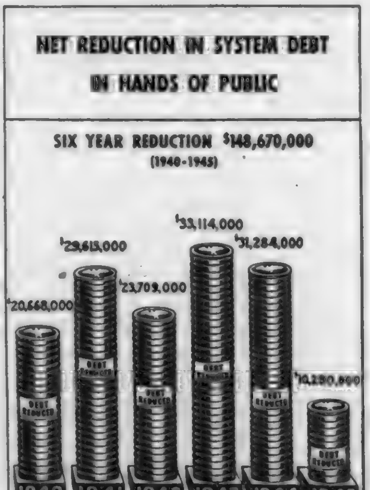
The growth and expansion of the Company during the one hundred years of its existence is reflected in the number of shareholders, the shares outstanding and their distribution. When the Company was chartered there were 2,635 subscribers to the original issue of 60,257 shares of stock of the par value of $50 each, being an average holding of 22.87 shares by each subscriber.

On December 31, 1945, there were 214,995 holders of stock, and the number of shares outstanding had grown to 13,167,754. The average holding was 61.24 shares.

M. W. CLEMENT, *President.*



After providing for operating expenses, interest, rentals and other necessary charges, over half the remaining income went to taxes.



There has been a steady and substantial reduction of funded debt in the hands of the public, as this graph shows. Over the last six years the Pennsylvania Railroad System debt has been reduced $148,670,000.

PENNSYLVANIA RAILROAD

Serving the Nation

BUY UNITED STATES SAVINGS BONDS

BRIEFLY TOLD—Continued

at the bank, which decides the amount of instalment buying he can do. He receives a credit card, renewable annually, and a directory of participating dealers. An instalment contract with the dealer is signed by the customer. The contract is sold to the bank, which collects the instalments plus interest at bank-financing rates. Some 200 dealers in automobiles, appliances, furniture, boats and airplanes are participating in this program.

Community Plug

The FIRST STATE BANK of Pittsburg, Kansas, gives the home town a well-deserved boost. The reverse side of the bank's regular stationery carries in full color lithography an air view of the community, with spotted photographs of its principal industries, public buildings and amusements, and a map showing the community location on the trunk lines of the central states. Pittsburg—famous for bituminous coal—is a progressive, friendly city of 20,000 population which produces some three million tons of the best steam coal mined in the West.

Other facts are there for you to read—courtesy of the local chamber of commerce.

All In a Day's Work

When elevator operators in the 47-story building at 30 Broad Street, New York City, struck without warning during the noon rush hour recently, the CONTINENTAL BANK AND TRUST COMPANY on the second floor was used as an "emergency" clearinghouse for many stock exchange and other brokerage firms on the upper floors. Finding the lobby soon congested with runners and messengers frantically trying to reach their offices, the CONTINENTAL phoned the various offices and quickly set up facilities for clearing business on the main banking floor.

Small Estates Service

Because of the recent increase in the number of small and medium-sized estates, THE BRIDGEPORT-CITY TRUST COMPANY is instituting a new Small Estates Service under which the Trust Department will settle any estate from $1,000 up where it can be of aid.

The effect of this is to broaden the trust service and to provide "trust service for everybody" just as personal loans mean "bank credit for everybody" and no-minimum-balance checking accounts mean "bank accounts for everybody."

For this service the bank will charge the standard executor's fee, which is subject to Court approval, and as a general rule will employ the attorney who drew the will to handle the legal work in connection with the estate.

Under this new arrangement every estate, regardless of size, will receive the same quality of service, since the same general procedure is required on a $1,000 estate as on one of $1 million.

The small estates idea has already been tested out in California, where it

Herbert Hoover is back on the job as a food relief expert

HARRIS & EWING

has been widely approved by both the public and the legal profession. One reason for this favorable reaction is that, under present tax laws, it has become more and more difficult to accumulate a large estate. Another reason is that, because of the greater complexity nowadays of tax and investment problems, estate settlement is no longer a comparatively simple matter. Furthermore, the smaller the estate, the more important it is that it be settled with all possible economy.

Financing Export Shipments

THE AMERICAN NATIONAL BANK AND TRUST COMPANY of Chicago has issued in booklet form a brief handbook written by A. M. Strong, vice-president, on financing export shipments. Mr. Strong is in charge of the bank's foreign department and a writer of many published articles on foreign trade financing.

The booklet is supplemented with illustrations of forms used in export financing, and a statement of the uniform customs and practice for commercial documentary credits fixed by the Seventh Congress of the International Chamber of Commerce.

Topics covered in the discussion by Mr. Strong include shipping on open account, the export draft and letter of credit and an itemization of discrepancies which are frequently found in documents presented under letter of credit, including bills of lading, insurance coverage, invoice details and terms of credit.

"Centralize Your Banking"

An unusual advertising campaign, designed to acquaint the public with the many services offered by a modern bank, has just been released by CENTRAL BANK, with head office in Oakland, California.

The campaign is built around the theme "Central-ize Your Banking" and while ostensibly directed toward the bank's present customers in an effort to obtain all their banking business, actually is meant to attract new customers through display of the wide range of activities carried on by the bank.

Initial advertisements were in color. The larger ones carry a list of 40 services and facilities available through the bank; the smaller ones merely cite the number of services available in such departments as trust, commercial, money transfer, etc.

Interesting Bank Statement

In line with a trend among banks to interpret bank finances and operations in language that laymen customers can easily understand is the annual report of the NEWTON SAVINGS BANK, Newton, Massachusetts. The report, in an attractive three-page booklet form, opens with a letter from the bank's president, Joseph E. Perry, outlining the bank's accomplishments during the year past and plans for the year ahead. It gives an account of the services offered to depositors and presents the financial condition of the bank through an easily understandable chart entitled "What Our

The U.S.S. *Arkansas* being made ready for the Pacific atomic bomb tests

INTERNATIONAL

Depositors Own." The chart concludes with the disposition of income in 1945 for salaries and operating expenses, noting that the bank handled, invested and paid taxes on its entire assets at a cost of a little more than 41 cents per $100.

Bulge

The MARQUETTE NATIONAL BANK of Minneapolis takes up the battle of the bulge with a challenge. "Is there a swelling on your dwelling?", queries the caption of current advertising. The cantankerous growth found most anywhere under the eaves of homes financed in lush times refers, of course, to the well-known "swollen interest lump." Now while money is cheap, the MARQUETTE prescribes an antidote—refinancing. The bank counsels: reduce "swollen" interest to its proper level at present-day rates; take steps to insure the lowest rate of interest on your home for years to come.

Credit School

As part of a cooperative program to acquaint bankers of the inter-mountain West with newly developed ways of handling consumer credit, the FIRST SECURITY CORPORATION SYSTEM OF BANKS recently launched a series of two-day credit schools.

The first conclave was held at Salt Lake City under the auspices of the FIRST NATIONAL BANK OF SALT LAKE—a member of the First Security System, and was directed by B. R. Broderick, supervisor of consumer credit for the system. In attendance were 50 prominent bankers from the five mountain states: Utah, Colorado, Wyoming, Idaho and Nevada.

According to Mr. Broderick, the courses will be devoted to study of methods and plans for acquiring and servicing all types of instalment loans, and will acquaint bankers with recently developed methods of working more closely with dealers in automobiles, equipment and home appliances. Mr. Broderick states that the FIRST SECURITY CORPORATION has already received a great deal of favorable comment on its "Timeway" consumer credit program for bankers, dealers and the public generally.

Jobs for GI's

Employers have taken special note of a series of classified advertisements appearing regularly in the *Buffalo Evening News*. Captioned "Positions Wanted by Veterans," these ads spotlight the individual notices of ex-servicemen and women seeking jobs. The interesting angle is that the ads are sponsored and paid for by the veterans loan department of the MANUFACTURERS AND TRADERS TRUST COMPANY of Buffalo—the service is a gesture of goodwill. To list his ad free in this series, the vet simply delivers his copy to the want ad department of the *News;* his discharge papers give the ad a free ride, compliments of the bank.

Welcome Home

Mayor O'Dwyer recently called on New York banks for "full and enthusiastic cooperation" in the Federal Housing Administration program to install

Captain L. F. Morrissey of Great Britain is UNO finance officer

INTERNATIONAL

new apartments in every available existing dwelling in the city.

Robert Moses, head of the Mayor's Emergency Committee on Housing, added that the rehabilitation and renovation of existing structures is "certainly way ahead of other temporary housing expediences."

Thomas G. Grace, state director of FHA, appealed: "Veterans trudge our city's streets, day after day, vainly seeking shelter for themselves and their families. This condition must be ended."

And then what? Well, banks like New York's BOWERY SAVINGS opened campaigns prodding home-owners to change spare rooms into income apartments "without any out-of-pocket outlay by yourself." Loans up to $5,000, with priorities for building materials (guaranteed by FHA) were publicized far and wide. Such loans, termed emergency FHA-insured loans, can be made without mortgages or other security, and include concessions which lift the ceiling on amounts and stretch the repayment period for borrowers who promise to hang out a to-let sign for veterans when the job is done.

New York banks have done a real job in this connection. It may be a cue for other big cities whose problems on housing are no less acute.

Service Record

They tell a story in Malden, Massachusetts, which rings up some sort of a record on service. Recently a veteran approached the MALDEN SAVINGS BANK with this problem: He wanted to buy a home under the GI act within a deadline of eight days; he had just reenlisted and wanted to leave some security for his mother and seven brothers and sisters.

Up to the emergency, the bank's officers contacted Governor Tobin and, through him, got further help from the Commissioner of Veterans Aid and Pensions. Preliminary work on the loan was completed within six hours and the papers on their way to the Veterans Administration. Three days later, a certificate of eligibility arrived from New York. And the deadline was met with time to spare.

Housing Bottleneck

Confusion twice confounded by blame shifting here, there, anywhere, for the local housing bottleneck, prompted the FARMERS & MECHANICS SAVINGS BANK of Minneapolis to clear the air recently with a public statement in the daily press. Said the bank:

"Many people who would like to build new homes this year believe that Minneapolis must rely on the Government to break the housing bottleneck.

"Three things are necessary in the building of houses—materials, labor and financing.

"It is important to remember that the present shortage of new homes is due primarily to a temporary lack of building materials and experienced workmen. As workmen become increasingly available, it may be that the Government can help by allocating needed materials to this community for home construction. . . .

"But," says the bank significantly, "there is no lack of local money to finance the building of homes in Minneapolis." In bolder type, the ad concludes

INTERNATIONAL

Winston Churchill gets a degree and makes a speech at Fulton, Missouri, with President Truman

that this bank alone could finance every new home which it is possible to build in the community this year.

This frank statement of fact impressed Minnesota's governor, who called in the bank commissioner and suggested here was something to which all banks in the state might pay some attention. Copies were forthwith sent to members of the Minnesota Bankers Association.

Trust School

The SIMSBURY (Connecticut) BANK & TRUST COMPANY believes its latest innovation—a school for trust customers—is a new tool which should add to the institution's profits.

Inspired by the belief that a better understanding of the responsibilities and duties of executors and trustees would result in a more general consideration of designating corporate rather than personal fiduciaries, the bank organized what probably is the first bank-sponsored trust school for laymen.

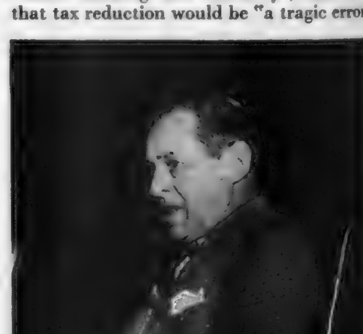
The school was divided into four evening sessions, one night each week, and drew an attendance average of 135—virtually all the people of substance in this community of some 4,000.

"Public reaction was highly favorable, folks appreciated our exploring the field for them and with them, selling our services indirectly rather than directly," says G. H. Stebbins, vice-president. He adds that planning the program sharpened the wits of the official staff.

Dimes

The BANK OF WARWICK, Hilton Village, Virginia, cashed in on public curiosity over the new Roosevelt dimes. Picking 125 regular old-time commercial

Reserve Board Chairman Eccles told the Senate Banking and Currency Committee that tax reduction would be "a tragic error"



HARRIS & EWING

customers, the bank sent them each a free sample of the newly minted coin, together with a personal letter suggesting that while it was still an oddity "you can have the pleasure and thrill of showing something to your friends which they haven't seen before." The letter added: "Nope, there is no catch to it; the dime is yours for keeps, free. But you can do us a favor. How about making it a point of telling all your friends about our cheerful, friendly, and personal service (use all the adjectives you want to). If you pass along a few words in our behalf, I know we will gain a lot of new customers."

After telling the customer that "we'd like to have a lot more customers just like yourself," the letter adds this postscript: "If you have any business projects up your sleeve that may take some financing, why not discuss it with us now?"

Here's a case of giving away "samples" that really rang the bell.

Lucite Folder Dispenser

The Advertising Department of the American Bankers Association has developed a lucite literature holder, for dispensing deposit tickets, withdrawal slips, counter checks, and any type of literature up to 3¾" wide and of any

height. It can be used as a counter holder, either alone or in a row, or back to back, or can be hung on a wall. The piece is very attractive, transparent, and highly durable. Order forms have been distributed to member banks in a mailing piece.

Pension Bulletin

The Central Hanover Bank and Trust Company, New York City, has launched a new publication, the *Pension Bulletin*. It is to be a four-page monthly letter covering recent developments, basic principles and background information about pensions and profit-sharing plans. It will be edited in "plain English" for the man who is interested but not expert in the subject of pensions. The *Bulletin* is expected to be a new business-getter for the bank's pension trust department, and is being widely distributed among key business executives over the country. Here's a bit of evidence that pensions will continue to be an important business subject for years to come.

Small Space

Printer's Ink recently doffed its editorial hat to a bank which uses small space effectively. Of California Bank, Los Angeles, the article said: "Creating an advertising impression out of proportion to its small size is a task accomplished by [this bank]. Business-getting promotion in a dignified manner is another objective gained. The bank never felt it either desirable or necessary to match budgets and space in media with larger competitors or other advertisers. While it gravitated into its choice of small space more or less automatically, one compelling reason for its use is the impact value that can be built into comparatively small ads in a modern, distinctive style.

"Ten years ago the California Bank started the use of a square space, three columns by six inches, for advertisements. It was expected that the series would call for a change in pace and size within a year or less. However, a 10-year period has passed, and the square space is still filled with enough variety to keep it fresh and alive."

Equipment for a New Savings Bank

Detailed information on the equipment needed by a savings bank or a savings department is given in a study prepared by Gustave Bottner, Jr., treasurer and comptroller of the Dry Dock Savings Institution of New York City. Mr. Bottner is a member of the A.B.A. Savings Division's Committee on Savings Management and Operations.

The furniture, supplies and machines used by the various sections of a savings bank or department are listed and various pieces of mechanical equipment are pictured.

Copies of the study will be loaned to interested banks on application to the secretary of the Savings Division at 12 East 36th Street, New York.

New Glasses for Examiners

(CONTINUED FROM PAGE 41)

assets has undergone a considerable change. The volume of deposits has increased very materially and the ratio of capital resources to deposits has decreased. If the examining authorities were to insist on maintaining the ratio which existed prior to 1939, it is obvious that the banks will either be unable to accommodate their customers or will have to increase materially their own resources. The latter is not very feasible and, hence, unlikely.

Under these circumstances it is advisable that the examining authorities disregard the ratio of capital resources to deposits and concentrate their analysis on the relation between capital resources to risk assets. Risk assets have not been defined, but it would be more than desirable if the national as well as state examining authorities were to give the banks some indication as to what to consider as non-risk assets.

The types of loans banks will make in the future will differ materially from those made in the past. Less emphasis will be laid on liquidity and greater stress will be placed on management as well as solvency of a borrower. This, too, will require a changed attitude on the part of the examiners.

The prime function of the latter is to see that the banks operate within the laws under which they are chartered. In this respect the examining authorities have very little latitude. The other obligation imposed on them is to protect the funds of the depositors. Since a large portion of the earning assets of the banks consists of government securities of various maturities which on the whole carry very little risk, the banks are in good position to assume a considerable volume of normal business risks.

THE war has brought about many changes in the methods of doing business which are bound to affect the activities of the banks. A new approach toward bank examination is, therefore, necessary without at the same time overlooking the fact that the principal function of the examiner is to protect the depositor.

The Treasury says that it is going to call in some of its war loan deposits. During the war years the banks lived on a rising deposit trend. Now it would behoove banks to review their position and get their war loan accounts into short term securities so that the war loan accounts can be liquidated without the necessity of selling long-term bonds.

"I merely wanted to deposit these pennies—but that teller told me to roll them on this table!"

The Consumer Credit Digest ⊙ ⊙ ⊙ *Market*

(CONTINUED FROM PAGE 44)

First C. C. Insurance Claim THE Commercial Credit Company reported its first claim on Creditor Group Life Insurance, a customer life insurance to protect the families of instalment purchasers, underwritten by the Prudential Insurance Company of America. Under the terms of the policy, which automatically cancel the unpaid balance and give clear title to the property to the heirs in case of death, an automobile on which no instalment payments had been made was delivered without any cost to the beneficiary of the claim.

Credit Group Life Insurance makes available through dealers, protection of retail instalment buyers of automobiles, refrigerators, washing machines, radios and other consumer goods on the time sales plan, exclusive of FHA transactions.

Canadian Financing CANADIAN banks also expect to do more instalment financing, but on a much more moderate scale than U. S. banks. For the present at least, they have no intention of starting active competition with the finance companies, which, in many cases, they regard as valued customers.

Canadian banks seem to be adopting a passive acceptance of whatever consumer financing comes their way rather than an aggressive solicitation of instalment business. Some of the banks have sent out instructions to their branches that they are willing to accept a larger volume than in the past. But, in general, they will allow the public to decide in the matter of direct consumer financing, and operate principally with dealers.

"Thinking bankers are aware and alarmed over the trend toward socialized credit . . . and its threat to a free economy. . . . Consumer credit wisely used can be an effective weapon to combat (it). . . . Because bank consumer credit makes bank credit available to the man on the street, to the vast majority of our citizens. It means that "*the*" bank becomes "*my*" bank. Bank credit gives the average man a feeling of responsibility, a sense of security, and a greater stake in banking. By extending bank credit to the vast majority of Americans we make the American banking system even more democratic."—Carl M. Flora, chairman of the A.B.A. Consumer Credit Committee, to the Missouri Bankers University Conference.

Animated Appliances THE animated cartoon is doing a selling job for electrical appliances in a film, "The Dawn of Better Living," shown at the Waldorf-Astoria, New York City, by Westinghouse.

Produced in technicolor by Walt Disney, the sound picture, narrated by radio story teller John Nesbit, gives animation to such household appliances as refrigerators, toasters, coffee makers, laundry equipment. Some 20 artists painted a total of 27,000 different pictures to produce the 16-minute film.

Dealer Survey A SURVEY of 12,000 dealers by Edison General Electric (Hotpoint) Appliance Company shows that complete kitchen installations will be handled by 89 per cent of electric appliance dealers. Almost 30 per cent of them think that trade-ins will figure in less than 10 per cent of refrigeration transactions in immediate postwar; although the dealers said that 30 per cent of prewar sales included trade-ins.

Queried on the possible pattern of market for home freezers, dealers felt that home freezers have a limited appeal for city- and town-dwellers.

Equipment distributors were urged to ask their Congressmen to pass legislation exempting capital goods from price control, in an address by F. N. Bard, owner of the Barco Manufacturing Company, during the convention of the Associated Equipment Distributors.

"If legislation were passed exempting capital goods from price control, consumer goods could get moving faster," he said.

A.B.A. Deputy Manager Walter B. French, spoke on "The Consumer Credit Outlook for Banks" at a consumer credit conference of the Indiana Bankers Association, in Indianapolis. He said: "Millions of couples will be setting up homes for the first time. They will require everything to make a home, including a house . . . you can come to only one conclusion — consumer instalment paper will be an important part of bank earnings for many years ahead." At the Indiana conference, *l. to r.*, K. A. Riner, Governor Gates, L. S. Armstrong, Mr. French, W. W. McCarthy, R. G. Ayers, W. L. Clark, Coleman Isaacs and L. J. Hunt

Consumer Credit Trends

(CONTINUED FROM PAGE 45)

tion by government and regulatory laws are sure to follow. Would it not be the better part of wisdom to take thought now to establish standards of practice and rules of procedure which will build the consumer credit structure soundly?

In this brief discussion it is not possible to develop the various proposals and ideas which students in this field have suggested. I want to call attention to just one principle of conduct which seems to me to be of basic importance and the point from which to begin building. This is the principle that full disclosure of all relevant information affecting the terms and cost of instalment sales be given to the consumer and stated in a manner that he can understand without being a mathematical wizard. The consumer should, of course, know the cash price of the article he is buying. He should also know the finance charges for the loan as a separate item both as to amounts and the per annum interest rate this amount represents. He should know the additional charges, itemized in individual amounts, the monthly payments and the total amount he must pay. There should be also readily available to the consumer purchaser the competing offers of the various financial agencies.

ARMED with this knowledge, the consumer can be trusted to protect his own interest. He will obviously seek to get the best terms possible and to buy at the lowest rates offered. This will also put dealers and lenders to the competitive test. It will give success to the more efficient, it will eliminate the practice of "packing" the instalment sale with undetermined and indefinite charges, it will bring about a level of rates that will measure the costs of making consumer loans.

This proposal is not new or original with me. In fact, it is suggested by the recommendation of the National Association of Better Business Bureaus through its Committee on Instalment Contracts. These recommendations are fundamentally sound and I urge all bankers to give them their careful consideration. Only by building on solid foundations can consumer credit contribute in an enduring way to a healthy economy. Only in this way can all parties of interest—lenders, consumers and dealers—benefit in mutual goodwill. Only in this way can the heavy regulatory hand of government be avoided. In the days ahead, it will be decided whether consumer credit is to be regulated by self-restraint and competition or by government.

★

"We haven't changed a thing. It's just as you left it!"

★

A Fair Deal for Business

ATTORNEY GENERAL Tom Clark, in an address to the Tennessee State Bar Association, affirmed that he intended to use the Federal Bureau of Investigation on anti-trust cases and to employ the full facilities of the Department of Justice to see that the anti-trust laws are enforced "in a practical way."

"I don't mean that we are going to have any witch-hunting; we're not," he said.

"We're not going to have any so-called fishing expeditions. We are going to have just everyday, hard-fighting practical law enforcement of the anti-trust laws and all other business laws. So long as the Government can stay out of business, I think it is to the great benefit of the people as well as of business, but I intend to use the anti-trust laws to see that business keeps open the channels of trade and gives to every person the right to go into business, the right to maintain the type of business, so long as he does not violate the law, that he wants to maintain, and to keep those channels clear.

"I do not intend to permit, so long as I am the Attorney General, any business or any industry to be indicted by criminal indictment or information that has engaged in practices for many years, practices that are publicly known, practices that have for many years had the sanction in good faith of the lawyers that have represented that business or that industry. In other words, so long as industry has followed a practice that is so publicly known and has been so publicly followed, and that has the approval of that industry's business and is known to the Department, I intend to go by the civil remedy of injunction, rather than by the grand jury or by criminal information. . . .

"Whenever there is any price fixing, any present willful intent to violate the statute, I intend to present those facts to a grand jury or to request the United States attorney to file criminal information against those who are culpable in that regard, but I do not intend to use the indictment or the criminal information to hit business over the head in order to make it comply with my ideas of economic policy. I intend to enforce the statute, and give business a fair deal."

"Could I have a loan for three or four days until my husband starts speaking to me again?"

Heard Along Main Street

Mortgage Bankers

A COMPREHENSIVE expansion of activities of the Mortgage Bankers Association of America, which includes setting up a Washington office, has been announced by BYRON V. KANALEY, Chicago, association president. A committee of five has been named by the board of governors to supervise establishing the office: MR. KANALEY; GUY T. O. HOLLYDAY, Baltimore, association vice-president; W. L. KING, Washington, D. C., chairman of the Federal legislative committee; WILLIAM G. NELSON, Chicago, chairman of the FHA committee; and DEAN R. HILL, Buffalo, chairman of the present Washington committee.

Other parts of the new program involve an expansion of the association's educational program with emphasis on courses designed to assist young men and veterans wishing to enter banking. Two courses have already been contracted for this Spring, the first at New York University for city mortgage lenders, and the second at Purdue University for farm mortgage lenders.

FRANK J. MCCABE, JR., of Chicago has been appointed director of research and education, and will direct the expanded program of these two activities. Mr. MCCABE has arts and sciences and law degrees from Northwestern University and was admitted to the Illinois bar in 1935. He practiced law in Chicago before entering the Navy in 1942 from which he was discharged last November.

Ninety senior and junior bank officers attended a recent seminar sponsored by Passaic County (N. J.) Chapter, American Institute of Banking, to hear William Powers, secretary of the A.B.A.'s Committee on Service for War Veterans, discuss GI loans

Clark Gets Legion of Merit

In the presence of nearly 100 reserve officers, and a number of visiting regular Army officers, General Gordon E. Textor, War Department General Staff, presented Colonel DUNLAP C. CLARK,

General Textor pins Legion of Merit on Colonel Clark

president, American National Bank, Kalamazoo, Michigan, with the Legion of Merit medal, ". . . for exceptionally meritorious conduct in the performance of outstanding services while in a position of eminent responsibility as chief, fiscal branch, special planning division, War Department . . . which resulted in a harmonious coordination between the War Department and business representatives, such as the United States Chamber of Commerce, National Association of Manufacturers, American Bankers Association, and individuals prominent in financial and industrial fields. . . . Colonel CLARK rendered an outstanding and invaluable contribution to postwar planning policies reflected in such legislation as the GI Bill of Rights, and directions which ultimately affected the future of the Army and civilian economy . . ."

Half Century of Service

A man who was so anxious to become a banker that he left high school at 16, to work for nothing in his little home town bank in Tracy, Minnesota, began his second half-century as a banker recently. He is IRA WILLIAM BEDLE, vice-president and director of the National Bank of Commerce of Seattle. He supervises credit operations of the 20 branches outside Seattle.

Young IRA BEDLE took nearly all of his first day to count and roll $25 in pennies, but at the end of six months had won a salary of $2.50 a week. At 21 he was the youngest cashier of any national bank in the United States. He joined the Washington Trust Company in Spokane, Washington, in 1906 as cashier, and went to Seattle in 1918.

Leaving the old National Bank of Commerce in 1924, after having been trust officer and cashier, MR. BEDLE and his wife took a 10,000 mile motor trip. On their return, he was with the Seattle Mortgage Loan Company for a short while.

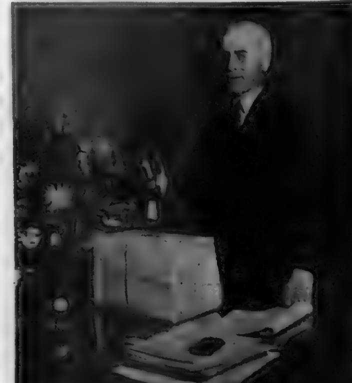
His association with Andrew Price, president of the National Bank of Commerce, began in 1926 at the Marine National Bank, a few years before the mergers which created the present banking organization.

The Clearing House Association of Seattle has elected Mr. BEDLE as its president. He succeeds J. W. SPANGLER, vice-president, Seattle-First National Bank. CHARLES F. FRANKLAND, president, Pacific National Bank, is vice-president, and C. L. YOST, vice-president and cashier, Peoples National Bank of Washington, has been reelected secretary-treasurer.

Banker's Son Builds Homes

JAMES R. DOMINICK II, enterprising veteran son of R. L. DOMINICK, president of the Traders Gate City National Bank, Kansas City, Missouri, and chairman of the Organization Committee of

Mr. Bedle at his desk on his 50th anniversary at the bank. From his friends at the National Bank of Commerce he received flowers, candy, a slide viewer and a container for his movie films



the American Bankers Association, has gone into home building.

A 21-year old P-38 fighter pilot, discharged from the Army last December, he returned to his home town intent on two projects: to complete his course in industrial engineering at the University of Kansas and to marry Miss Virginia Virden. He faced the necessity of providing a home for his fiancee by June. He searched for several weeks and discovered the sad truth that there were no homes for returning veterans.

JAMES began to look into the prospect of building his own home. By February 1, he had acquired two lots and held priorities on materials for three five-room concrete block houses. He employed a construction superintendent and seven workmen and the first two houses got under way.

JAMES' time is fully occupied between the routine of enrolling at school, and keeping time for his workmen and supervising the job. He is also negotiating for four more lots.

Back from the War

ROBERT H. BOLTON, vice-president of Rapides Bank & Trust Co., Alexandria, Louisiana, has returned to his desk after having served in the armed forces.

JOHN M. HARLAN, partner of Root, Clark, Buckner & Ballantine, has been elected a trustee of United States Trust Company of New York. During the war he was attached to Eighth Air Force Headquarters in England where he served as Chief of Operations, Analysis Section, with the rank of colonel.

RAYNHAM TOWNSHEND, assistant trust officer of The Union & New Haven Trust Company, Connecticut, has returned to his post after 57½ months in the United States Naval Reserve. Commissioned an ensign in 1934, he entered active naval service in 1941 as a lieutenant (jg), and at the time of his discharge in November 1945 had attained the rank of commander.

CHARLES L. (Chuck) PIERCE of Palm Beach was elected president and a director of the First National Bank, Ft. Lauderdale, Florida, while W. W. McEACHERN was elevated to chairman of the executive committee. Mr. Pierce served in both wars in the Navy.

Other advancements were: ALWEN NEUHARTH to executive vice-president; E. R. MACKAY to assistant vice-president; JOHN C. MONAGHAN to cashier. New officers elected were ARTHUR H. OGLE, vice-president; GEORGE E. HOSSLER, assistant cashier, and GEORGE W. ENGLISH, attorney.

The Manufacturers Trust Company, New York, announces the promotion of EDMUND LEONE from assistant secretary to assistant vice-president. During the war he served in the United States Army Quartermaster Corps.

Lieutenant Commander PHILIP D. HOLDEN has returned to the Chemical Bank & Trust Company, N. Y., after four years with the United States Naval Reserve, to resume his position as assistant secretary.

After a year and a half as an Army major attached to MacArthur's headquarters in intelligence, WILLIAM H. McCARTHY of Richmond has been appointed an assistant to THOMAS C. BOUSHALL, president of The Bank of Virginia.

The Public National Bank & Trust Company, N. Y., has announced the appointment of Lieutenant Colonel GORDON L. CHAPLINE as assistant vice-president.

Colonel JOHN R. BURTON, JR., while still on terminal leave from the U. S. Army Ordnance Forces, was elected director and vice-president of The National Bank of Far Rockaway, Long Island, New York.

Have You Heard?

HARVEY D. GIBSON, president, Manufacturers Trust Company, New York, has been appointed director of the American Red Cross campaign to raise $100,000,000 for 1946 by Red Cross Chairman BASIL O'CONNOR. Mr. GIBSON was Red Cross Commissioner in Great Britain and Western Europe from August 1942 until May 1945.

One of his major achievements was the founding of the Clubmobile Service. President Truman conferred the Award of Merit upon him last June. France, Belgium and Sweden have honored him.

The Pittsburgh Chamber of Commerce recently presented to ROBERT C.
(CONTINUED ON PAGE 105)

The Subcommittee on Federal Deposit Insurance Study of the A.B.A. Committee on Federal Legislation, at a recent meeting. Seated, *left to right:* D. C. White, Lewiston, Me.; F. G. Addison, Jr., Washington, D. C.; W. A. Irwin, economist, A.B.A.; T. S. Abernathy, Kansas City, Mo.; H. N. Thomson, Presho, S. D.; G. L. Rice, Dalton, Ga.; R. W. Bachelor, director, A.B.A. Research Council; C. E. Bennett, Wellsboro, Pa.; Frank C. Rathje, A.B.A. president; D. J. Needham, general counsel, A.B.A.; Harold Stonier, executive manager, A.B.A.; Evans Woollen, Jr., Indianapolis; E. V. Krick, San Francisco; and H. L. Horton, Des Moines

Awards were made to the three Oregon banks with the highest percentage of sales during the Victory Loan drive by F. H. Heitzhausen, Oregon War Finance Committee, *left*. With Mr. Heitzhausen, *l. to r.*, J. D. Williams, assistant manager, Livestock-Kenton branch, First National Bank of Portland; E. H. Greenwood, for First National Bank of Clatskanie, and T. J. Scroggin, president, First National Bank, Sheridan

What's New at Metropolitan?

THERE is much good news for policyholders in the 1945 record of the Metropolitan Life Insurance Company.

Payments to policyholders and their beneficiaries reached a new all-time high of $623,000,000.

Mortality among policyholders, excluding war deaths, was the lowest on record. The yield on the Company's investments followed the general trend and declined somewhat. The Company had asset gains which made it possible to revise policy and annuity reserves so as to reflect lower interest earnings. Scales of dividends to policyholders were maintained, and in some cases slightly increased.

Unassigned surplus funds at the year end amounted to $448,600,000. In addition the Company had special surplus funds of $109,400,000, of which $95,100,000 represented a special reserve for possible loss or fluctuation in the value of investments and $14,300,000 a Group Insurance reserve for epidemics, etc. These funds represent an extra cushion of safety for policyholders.

In its report to policyholders for 1945, Metropolitan provides answers to many of the questions a policyholder would be likely to ask if he could make a personal visit to the Company. Among questions answered, for example, are...

Were there many extra claim payments last year due to the war?

Would longer life for policyholders reduce the cost of Life Insurance?

In what types of investments did the Company put its money?

What does the Company advise about National Service Life Insurance?

In addition to answering these and many other questions, the report gives a financial summary of the Company's operations during 1945. Whether or not you are a policyholder, you will find this report interesting and informative. To get a copy, just write and ask for the Company's annual report entitled, "What's New at Metropolitan?"

BUSINESS REPORT FOR 1945

In accordance with the Annual Statement as of December 31, 1945, filed with the New York State Insurance Department.

OBLIGATIONS TO POLICYHOLDERS, BENEFICIARIES, AND OTHERS	
Policy Reserves Required by Law — This amount, together with future premiums and interest, is required to assure payment of all future policy benefits.	$6,400,802,374.47
Policy Proceeds and Dividends Held at Interest — These are funds left with the Company to be paid in the future.	342,073,866.83
Reserved for Dividends to Policyholders — Set aside for payment in 1946 to those policyholders eligible to receive them.	123,338,706.00
Other Policy Obligations — Claims in process of settlement, estimated claims not yet reported, premiums received in advance, etc.	67,108,358.06
Taxes Accrued — Includes estimated amount of taxes payable in 1946 on the business of 1945.	20,019,592.00
Contingency Reserve for Mortgage Loans	21,000,000.00
Miscellaneous Liabilities	29,587,557.57
TOTAL OBLIGATIONS	$7,003,930,454.93

ASSETS WHICH ASSURE FULFILLMENT OF OBLIGATIONS		
National Government Securities — United States and Canadian.		$3,901,918,692.03
Other Bonds		1,729,338,186.57
Provincial, State, and Municipal	$ 92,780,754.21	
Railroad	584,361,368.30	
Public Utilities	656,189,313.94	
Industrial and Miscellaneous	396,006,750.12	
Stocks — All but $4,076,225.49 are Preferred or Guaranteed.		114,550,034.03
First Mortgage Loans on Real Estate		870,363,554.77
Farms	$ 86,606,570.02	
Other Property	783,756,984.75	
Loans on Policies — Made to policyholders on the security of their policies.		343,512,038.44
Real Estate Owned — Includes $39,300,334.74 real estate under contract of sale and $147,436,299.08 Housing Projects and real estate for Company use.		259,557,120.46
Cash — Deposited in banks, in transit, or on hand.		175,687,154.11
Other Assets — Premiums due and deferred, interest and rents due and accrued, etc.		167,070,489.96
TOTAL ASSETS TO MEET OBLIGATIONS		$7,561,997,270.37

Thus, Assets exceed Obligations by $558,066,815.44. This safety fund, representing about 8% of the obligations, serves as a cushion against possible unfavorable experience and gives extra assurance that all policy benefits will be paid in full as they fall due. This fund is made up of:

A Special Surplus Fund (including $95,112,000.00 for possible loss or fluctuation in the value of investments)	$109,422,000.00
Unassigned Funds (Surplus)	448,644,815.44

NOTE:—Assets carried at $360,747,351.78 in the above statement are deposited with various public officials under requirements of law or regulatory authority. Canadian business embraced in this statement is reported on basis of par of exchange.

HIGHLIGHTS OF 1945 OPERATIONS

Life Insurance in Force, End of 1945 . . . $31,261,969,817 **Paid-for Life Insurance Issued During 1945** . . . $2,143,423,150

Amount Paid to Policyholders During 1945 . . . $623,443,185.86

Metropolitan Life Insurance Company

(A MUTUAL COMPANY)

Frederick H. Ecker, CHAIRMAN OF THE BOARD *Leroy A. Lincoln*, PRESIDENT 1 MADISON AVENUE, NEW YORK 10, N.Y.

DOWNIE, president of the Peoples-Pittsburgh Trust Company, a plaque commemorating Mr. DOWNIE's wartime service to the nation during the four years in which he served as chief of the Pittsburgh Ordnance District.

Security-First National Bank of Los Angeles has elected three new vice-presidents, R. D. BURROWS, ORVALL L. BANE and A. J. DECKER. BURROWS has been associated with the bank since 1921 and has been chief appraiser since 1936. BANE and DECKER are managers of the El Centro and Santa Maria branches respectively. Other promotions included seven assistant vice-presidents—W. D. CONEL, J. G. DEVER, D. W. HENEY, A. H. MEDLIN, all of the head office; ROY BUSHEE, Sixth and Spring Office; E. A. FOLEY, Fresno, and C. F. SHANNON, Westwood Village branch; three assistant trust officers at the head office, EMERY P. BELL, HAROLD A. HARDIN and WILLIAM W. HARPER, and two assistant cashiers at the head office, WILLIAM L. MATTIS and A. H. POOLE.

Corn Exchange Bank Trust Company of New York announces the following promotions and appointments: R. LEROY CORBETT elected a vice-president; MERWIN S. JENKINS, assistant vice-president; WILLIAM A. NASH, W. KENNETH WILSON and JOHN E. GRIFFIN were made assistant secretaries.

Dallas, Texas, is to have a new bank—the Greenville Avenue State, with $200,000 capital and surplus. The bank's president is NEELY G. LANDRUM and its executive vice-president, ELDON U. HOWELL. Mr. HOWELL has just returned from service as a lieutenant commander in the Navy. He is an alumnus of The Graduate School of Banking.

Trust Company of Georgia announces promotions and advancements as follows: JAMES C. SHELOR, STEVE H. BOMAR and JASPER C. OSBORNE were

Mr. Shelor

Mr. Bomar

Mr. Osborne

Mr. Fraser

elected vice-presidents; J. ALLAN WILSON, trust investment officer; A. H. STERNE, VERNON WOOTEN, R. C. MATHEWS, JR., and HOWARD C. TRAYWICK, assistant vice-presidents; and FLETCHER G. RODGERS, assistant secretary.

CARLYLE FRASER, president, Genuine Parts Company in Atlanta and regional vice-president, U. S. Chamber of Commerce, was elected a director.

HAROLD R. FLETCHER, cashier of the Peoples Bank of Cumberland, Maryland, has been made president. He succeeds the late Harold Footer, who was president from the bank's organization until his death several months ago. The directors named no successor to Mr. FLETCHER as cashier. He was also elected a director.

RALPH H. RICHARDS, who has been (CONTINUED ON PAGE 107)

president of the Federal Home Loan Bank of Pittsburgh, became acting governor of the Federal Home Loan System recently. He succeeded James Twohy who resigned. Mr. Twohy joined the FHLB board in 1934 and was governor for the past six years.

New members of the board of directors of J. P. Morgan & Co., Inc., New York, are JOHN L. COLLYER, president of B. F. Goodrich Company, and RALPH W. GALLAGHER, who recently resigned as chairman of the Standard Oil Company, New Jersey.

HAYWOOD C. CHALK, assistant cashier, Republic National Bank of Dallas, Texas, has joined his bank's staff of specialized correspondent bank representatives, and will travel throughout the South and West. Other Republic correspondent section officers include Vice-presidents STANLEY A. LONGMOOR, WILLIAM Z. HAYES and W. O. STEVENS.

E. J. LAUNER, assistant vice-president in the loan service department at Bank of America's Los Angeles headquarters, has been advanced to the rank of vice-president. Other Southern California promotions were: GEORGE D. BJURMAN, assistant trust officer to trust officer, Los Angeles headquarters; W. V. GLASS, assistant cashier to assistant vice-president, Los Angeles main office; H. A. TEMBY, assistant trust officer to trust officer, Riverside branch; and J. F. SPIELER, assistant trust officer to trust officer, Glendale main office. Recent managerial appointments included A. B. ARNETT, La Mesa Branch, and DAVID ROTHMAN, West Adams-Orange branch, Los Angeles.

ROY C. OSGOOD, who recently retired as vice-president in charge of the trust department of The First National Bank of Chicago, after 39 years of service, was honored at a dinner given by the bank's directors. THOMAS H. BEACOM, vice-president, succeeded Mr. OSGOOD as head of the trust department.

Other First National Bank promotions include: CLARENCE E. CROSS, EDWARD J. JENNETT, COLL GILLIES and HERBERT V. PROCHNOW, vice-presidents; VERNON C. BARTELS, ROBERT J. CROSSLEY, ELLERTON A. LODGE and JULIUS O. SORG, assistant vice-presidents; and FORREST G. PADDOCK, assistant comptroller.

New officers: P. ALDEN BERGQUIST, WARREN SMETTERS and GEORGE W. WILLS, assistant cashiers; and OTTO F. HASS, assistant trust officer.

ROBERT E. WILSON, chairman of the board, Standard Oil Company (Indiana), was elected a director.

DON BLAIR, noted travel authority, has been appointed manager of the travel department of The Philadelphia National Bank. The bank has maintained a travel department for more than 30 years, which it is expanding in order to offer the public a complete travel service.

The First National Bank of Minneapolis announces that JAMES A. DAVIS succeeds JOHN G. MACLEAN as cashier. Mr. MACLEAN will continue as vice-president of the bank. JAMES A. MURPHY has been elected a vice-president and JOHN J. MALONEY, an assistant vice-president.

First National trust department changes and promotions include: OLIVER S. AAS, ROBERT M. BELL, FLOYD L. DWIGHT, HENRY HENRETTA and LEONARD A. VON ESCHEN were elected assistant vice-presidents; LYMAN E. WAKEFIELD, JR., and PATRICK W. COLBERT were elected assistant cashiers; and MYRON H. POWELL, LEE A. SHORT,

George Gund, president, The Cleveland Trust Company, discussed the dangers of inflation at a forum meeeting of Cleveland Chapter, A.I.B., attended by 700 Cleveland bank officers and employees. In the photograph, *l. to r., seated*, Russell Weisman, Cleveland *Plain Dealer*, Mr. Gund, and Leonard P. Ayres, vice-president, The Cleveland Trust Company. *Standing*, Roger Clouse, Federal Reserve Bank; Edward W. Seaman, president, Cleveland Chapter, and member staff, American Savings Bank; Ford Steele, Central National Bank

LEW WALLACE and FRANK B. WECK were named trust officers.

ATHERTON BEAN, executive vice-president, International Milling Company, Minneapolis, was elected to the bank's board of directors.

New assistant cashier of the Highland Park State Bank in Dallas is HARRY KEARNS YAEGER, a former assistant United States national bank examiner in the 11th Federal (Dallas) district.

TOM P. WALKER, recently elected a vice-president of Irving Trust Company, New York, will be associated with the extensive business which the bank has with public utility companies.

Mr. Walker

Mr. Anger

FRANK G. ANGER, vice-president and newly-elected director, was elected president of the Industrial National Bank of Chicago to succeed JOHN S. MILLER, who was elected general counsel.

Two new members of the board of directors of the Riggs National Bank, Washington, D. C., are MARK R. SULLIVAN, president of the Chesapeake and Potomac Telephone Company, and NELSON B. O'NEAL, one of the bank's vice-presidents.

JOHN HOAG, formerly president of The First National Bank of Rocky River, Ohio, which was recently purchased by The National City Bank of Cleveland and is being continued as a branch of that bank, has been made a vice-president of The National City Bank and will be in charge of the Rocky River office. FRANK MITCHELL and F. W. BROWN, formerly officers of the Rocky River bank, are now assistant vice-president and assistant cashier, respectively, of The National City Bank and will continue with the Rocky River office.

The National City Bank of Cleveland announces promotions, as follows: JAMES B. WOLF was elected vice-president; CLARENCE R. MCBRIDE, assistant cashier; and WILLIAM BOORSE, trust investment officer.

HARRY C. STODDARD and ERNEST LAMB have been elected vice-presidents of the Colonial Trust Company, New York. Mr. STODDARD is head of the trust department and Mr. LAMB of the correspondent bank department.

Other Colonial Trust promotions include: GEORGE J. MEEHAN, JOHN J. DOWNES, MATTHEW T. RYAN, and MILTON S. HENDERSON, assistant vice-presidents; GLENN KELLER, JAMES H. SHAW and FRANK C. RUTZEN, assistant treasurers.

JOHN C. JESTER, formerly assistant to the president, has been elected a vice-president of the Colonial Trust Company and will continue to make his headquarters in Dallas and supervise the bank's relations with correspondents throughout the Southwest.

At a recent meeting of the executive committee of Bankers Trust Company, New York, ROGER F. MURRAY was elected an assistant vice-president. He will be associated with the bank's credit-investment department.

Mr. Jester

Mr. Murray

Election of J. M. DOWNES and GEORGE S. HENRY as assistant cashiers of the First National Bank of Minneapolis was announced following a meeting of the board of directors.

ERNEST L. PEARCE, formerly vice-president and cashier of the Union National Bank of Marquette, Michigan, has been elected president to succeed the late ARTHUR F. JACQUES. JOHN J. GUELFF was elected vice-president; Miss SARAH E. MORRISON was advanced to the cashiership; and EDWARD L. PEARCE was made assistant vice-president.

Four new members have been elected by the Controllers Institute of America: WILLIAM A. HARMAN, vice-president and controller, The National City Bank of Cleveland; EDMUND L. GRIMES, controller, Commercial Credit Company, Baltimore; WILLIAM H. HURTZMAN, controller, First National Bank of Philadelphia; and HOWARD F. ZINSMEISTER, treasurer, Syracuse Trust Company, Syracuse, New York.

GRANT MCPHERRIN, 81, Des Moines banker, died recently. The former president of the Central National Bank & Trust Company, Des Moines, who resigned in 1939 after 26 years of service, in recent years had devoted his time to the First Federal State Bank. Mr. MCPHERRIN served as chairman for Iowa of the War Finance Corporation and had been president of the state banking section and treasurer of the American Bankers Association.

Appointment of H. LEROY AUSTIN was announced as vice-president of the OLD National Bank in Evansville. Mr. AUSTIN, 38, is probably the youngest vice-president in any major Evansville bank.

Election of CHRISTIAN H. SEGER, JR., as vice-president of the National Bank of Tulsa was announced by bank officials.

GORDON D. BROWN was elected a vice-president of Bankers Trust Company, New York. Mr. BROWN, who has

Mr. Seger

Mr. Brown

Mr. Downes

Mr. Henry

been actively associated with the aviation industry for over 20 years, will head up the bank's service to that industry, in line with a policy of industrial specialization designed to fit banking service to the requirements of the individual industry.

Announcement is made of the election of JOHN C. G. BOYCE, EARL C. BROMWELL and WILLIAM H. PFAFF to be assistant treasurers of Maryland Trust Company, Baltimore, of which HEYWARD E. BOYCE, a former president of the Reserve City Bankers Association and for many years active in the executive council of the American Bankers Association, is president.

The Chase National Bank of New York announces the following promotions: LOUIS C. HOLL, FRANK M. TOTTON and FRED C. WITTE, to vice-presidencies; OSCAR F. ARMBRUSTER, CARL B. BRUNNER, HERMAN J. IHNEFELD,

WILLIAM RAPP, JAMES P. ROACH, WALTER E. RUTHERFORD, BENJAMIN E. SHEPARDSON, EDWIN A. STEPHENSON, WALTER E. SULLIVAN and JOSEPH M. WALSH to second vice-presidencies.

The First-Knox National Bank of Mount Vernon, Ohio, has announced the following changes: J. GORDON BONE, formerly cashier and assistant trust officer succeeds the late WILLIAM A. ACKERMAN as president and trust officer; B. B. WILLIAMS, formerly vice-president, has been made chairman of the board; members of the board, M. C. KINNEY and S. P. UPHAM have been made first and second vice-president, respectively; HENRY G. RICHARDS, formerly assistant cashier, is now cashier, CARROL L. BENOY, assistant cashier, has also been made assistant trust officer.

The Cleveland Trust Company announces the following new assistant branch managers: JAY ROBINSON, Bedford office; I. F. WILLIAMS, Broadway-Harvard office; and H. F. FOX, Lorain —99th Street office.

The following changes and additions to the personnel of the Mercantile-Commerce Bank & Trust Company, St. Louis, have been announced: TIM J. GALLIVAN, formerly with the Commercial Credit Company in various parts of the country, was elected vice-president; JOHN J. FOX, assistant vice-president, was made a vice-president; WILLIAM J. CHAPMAN, assistant cashier, was promoted to assistant vice-president; and WILLIAM R. MCIVER was appointed assistant cashier; WILLIAM W. HIBBARD was appointed statistician of the bond department, and EDWIN H. BOSSE, who has been on leave as a lieutenant in the U. S. Navy, was appointed assistant trust officer.

Mr. Gallivan

Mr. Fox

HOLLY STOVER, president and director of the Chicago & Eastern Illinois Railroad, has been elected a director of the American National Bank and Trust Company of Chicago.

The First National Bank of Cincinnati, Ohio, has announced the election of REUBEN B. HAYS to the executive vice-presidency of the bank. Mr. HAYS resigned as first vice-president of the Federal Reserve Bank of Cleveland to accept the First National post.

CHARLES A. LEES, Jr., formerly in charge of government bond activities of Merrill Lynch, Pierce, Fenner & Beane, New York City, has been elected vice-president of the Metropolitan Investment Company, wholly owned by Metropolitan Trust Company, Chicago.

The National City Bank of New York has elected ROBERT H. MATSON and LOUIS FENN SPERRY vice-presidents.

The Central Hanover Bank and Trust Company of New York has appointed LOUIS E. IMHOF assistant vice-president. Mr. IMHOF has been with the bank since 1930.

A. J. BATTISTA, who has been an of-

Mr. Imhof

Mr. Battista

ficial of the foreign department of J. P. Morgan & Co., Inc., of New York, has joined the Union Bank of Commerce, Cleveland, Ohio, as assistant vice-president. He will be in charge of the foreign department of the Union Bank.

Eight new assistant vice-presidents have been elected by the Republic National Bank of Dallas: C. W. AUSTIN, JR., JOHN K. CAMPBELL, D. B. GANNON, PAT HENRY, JR., CHRIS G. KNOERZER, CECIL L. MURPHY, JOHN R. SCOTT and PAUL C. TEDDER. All were former assistant cashiers.

W. H. SMITH, manager, San Jose office, the Anglo California National Bank, has been appointed vice-president and manager of the bank. A. D. CAMPBELL, manager of the Lemoore and Hanford offices, has been appointed a vice-president of the bank, but will continue to manage both offices.

Federal Reserve Appointments

Cleveland—Five bank officers of the Federal Reserve Bank of Cleveland have been promoted and four new ones have been appointed, in addition to a chief examiner. Officers promoted were: WILBUR D. FULTON, assistant vice-president and chief examiner, to vice-president; MARTIN MORRISON, assistant vice-president, to vice-president; WALTER L. FINDEISEN, assistant cashier, to assistant vice-president; PAUL C. STETZELBERGER, assistant cashier to assistant vice-president; WILBUR T. BLAIR, Jr., assistant secretary to secretary. New officers are: JAMES R. LOWE, assistant cashier; JOSEPH M. MILLER, assistant cashier; GEORGE R. ROSS, assistant cashier; L. MERLE HOSTETLER, manager, research department. HUGH M. BOYD was promoted to chief examiner.

SAM W. EMERSON, president of the Sam W. Emerson Co., building contractors, was appointed to the Industrial Advisory Committee of the Fourth Federal Reserve District, succeeding the late DAN C. SWANDER.

San Francisco—WALTER S. JOHNSON, lumberman, lawyer and president of the Friden Calculating Machine Co., Inc., has been elected to the board of governors of the Federal Reserve Bank of San Francisco. CHARLES H. STEWART, president of Portland Trust & Savings Bank, has been elected a director of the bank.

Chicago—RUSSEL A. SWANEY, former Deputy Director, Banking Division,

At annual consul's dinner, New York Chapter, A.I.B., *l. to r.*, H. W. Trecartin, educational secretary; C. W. Schwer, president, Alumni Association; J. S. Brown; E. R. Shumway, Chief Consul, *speaking*; E. C. Egerton, chapter president; T. C. Cox, chapter first vice-president; W. S. Vanek, second vice-president; and C. E. Hull, executive secretary

U. S. Treasury War Finance Committee for Michigan, has been appointed special representative of the Federal Reserve Bank of Chicago and will represent the bank in Michigan. C. S. YOUNG has been appointed president, CHARLES B. DUNN, first vice-president, and PAUL C. HODGE, general counsel.

Chicago: PRENTISS M. BROWN has been appointed a director of the Detroit Branch for a two-year term. Mr. BROWN is chairman of the board of the Detroit Edison Company.

CHARLES T. FISHER, JR., president, National Bank of Detroit, has been appointed to a two-year term as a director of the Detroit branch.

Boston—LAURENCE F. WHITTEMORE was appointed president of the Federal Reserve Bank of Boston for a five-year term, to succeed RALPH E. FLANDERS, recently retired under age provisions of the Federal Reserve Banks retirement system. Formerly a director of the First National Bank, Concord, N. H., and trustee of New Hampshire Savings Bank, Concord, N. H., Mr. WHITTEMORE resigned such positions upon being elected as a Class B director of the Federal Reserve Bank in 1944.

DR. ALFRED C. NEAL has been appointed director of research of the bank. Before joining the Federal Reserve Bank organization, DR. NEAL was associated with the Office of Price Administration as Assistant War Goods Price Coordinator. He is also the author of several books on economic subjects.

Minneapolis—The board of governors of the Federal Reserve System has designated ROGER B. SHEPARD, president, Finch, Van Slyck & McConville, St. Paul, Minnesota, as chairman of the board of directors of the Federal Reserve Bank of Minneapolis and Federal Reserve agent for 1946.

W. D. COCHRAN, Cochran Freight Lines, Iron Mountain, Michigan, has been designated deputy chairman of the board.

PAUL E. MILLER, director, Agricultural Extension Division, University of Minnesota, has been appointed a Class C director of the Federal Reserve Bank of Minneapolis for a three-year term.

MALCOLM E. HOLTZ, agriculturalist, Great Falls, Montana, was appointed director of the Helena Branch of the Federal Reserve Bank of Minneapolis for a two-year term.

Appointment of B. M. HARRIS, president, The Yellowstone Bank, Columbus, Montana, as a director of the Helena branch of the Federal Reserve Bank of Minneapolis, has been announced.

Cincinnati: SPEARS TURLEY, vice-president and trust officer of the State Bank & Trust Co. of Richmond, Ky., was named to succeed BUCKNER WOODFORD, vice-president and cashier of the Bourbon-Agricultural Bank & Trust Co. of Paris, Kentucky, on the Cincinnati Branch board.

St. Louis—At its annual meeting, the board of directors of the Federal Reserve Bank of St. Louis selected JAMES H. PENICK, president of W. B. Worthen Co., Bankers, Little Rock, Arkansas, to represent the eighth district on the Federal Advisory Council during 1946. He succeeds RALPH C. GIFFORD of Louisville, Kentucky.

Memphis Branch: LLOYD SPENCER, president, First National Bank, Hope, Arkansas, was elected a director of the Little Rock branch; H. LEE COOPER, president, Ohio Valley National Bank, Henderson, Kentucky, and A. C. VORIS, president, Citizens National Bank, Bedford, Indiana, were made directors of the Louisville branch; and H. W. HICKS, president, First National Bank, Jackson, Tennessee, became a director of the Memphis branch.

How One County Grew More Food

(CONTINUED FROM PAGE 55)

Howard declared. "They got into quick production and cashed in while our neighboring counties are only now getting ready to follow in our footsteps. I believe they're too late. Our bean business is already overdone."

I ASKED Mr. Howard why he has taken such a leading role in developing his county's farming program. He leaned back in his chair and his blue eyes twinkled.

"That's an easy question to answer," he laughed. Then he leaned forward and became serious.

"This bank," he pointed out, "as well as every business and professional man in the county, is entirely dependent upon the farmer. When we help him, we're helping ourselves. When the farmer is making money, that means he puts more money into our coffers. He can buy new clothes, get his teeth fixed, and send his children to college. Everybody benefits in the final analysis."

The Farmers' State Bank is a merger of the Bank of Mountain City and the Merchants and Traders Bank in 1934. Mr. Howard is convinced that the only reason his bank survived the depression was because of the agricultural policy it had adopted.

PROOF of the county's increasing prosperity is demonstrated by the volume of banking business December 31, 1945, as compared with that of December 31, 1939. The increase is almost phenomenal. In 1939 it was $603,000 while in 1945 total business amounted to $2,088,434.

C. E. Brehm, dean of the College of Agriculture at the University of Tennessee and director of the Tennessee Extension Service, is one of many outsiders aware of Mr. Howard's important role in Johnson County affairs.

"I do not know anyone in Johnson County who has worked more consistently over a period of many years in developing its resources," he recently said. "Mr. Howard has the interest of all the county sincerely at heart. His goal is a higher standard of living for all people living there."

Mr. Howard hasn't been content to settle back in silent satisfaction with past performances. On the contrary, he has some very real and weighty farm problems he wants to have solved with the assistance of farm leaders and government workers.

One of them is the vegetable growing problem. If Johnson County farmers concentrate again on beans this year, they'll face a glutted market. He's convinced of that. Therefore the Tri-State Growers were responsible for the planting of more than 300 acres of strawberries and about 25 acres of raspberries.

Improved marketing facilities will help them again this year. In the meantime, Banker Howard is working with others toward establishing community canning plants, a commercial cannery and a quick-freeze plant. A strong pasture improvement program has been launched, too.

"American agriculture is facing some momentous years," Mr. Howard asserts.

"Country bankers, professional people and merchants must get to know something more about farm problems if they want a prosperous future. All of us must learn that a farmer's fortunes affect our own."

Mr. Howard is a banker who tied his wagon to a farm tractor instead of a star.

The results of the past indicate that he selected the proper motive power.

The Banker and a More Abundant Earth

(CONTINUED FROM PAGE 35)

have more land per capita *which we farm wastefully and extravagantly.*

Treasury Department statistics show reserves of many billion unspent dollars to the credit of the American farmer and politicians attempt to draw from these statistics proof that the American farmer was never so well off. No mention is made of the fact that this vast pool of wealth does *not* represent savings or even a very large margin of profit. It exists only because it represents a purchasing power which the farmer has been unable for a period of five years to utilize. It represents money which would have been spent largely, if not entirely, for the automobiles, the tractors, the farm machinery, the labor, the wire fence, the paint, the construction he has not been able to buy. The forcible withdrawal of this vast pool of purchasing power from our economy has not been felt only because the industrial units and the industrial labor which would in normal conditions feel it disastrously have been engaged in producing war materials at wholesale rates and at high prices.

DURING the immense industrial growth of the nation, the great value to our economy of agricultural purchasing power has been largely overlooked, yet again and again since the Civil War the collapse of that purchasing power has been the prelude to a widespread and disastrous nationwide economic depression. This basic purchasing power is not simply confined to the 20 per cent of our population engaged in farming. The purchasing power and the employment based upon agriculture reaches far upward throughout the whole of our economy. It includes most of the smaller towns and villages and even cities as large as Omaha, Des Moines, Kansas City or Minneapolis with all their insurance companies, banks, department stores and "service" factories such as garages, repair shops, etc. It supports the great agricultural machinery business, a large part of the trade of the great mail order houses. Its production is the base of the vast stockyard, mill and feed processing businesses and large segments of the oil, steel and rubber industries. When the farmer cannot buy a tire or a radio or a tractor it means that industrial workers are out of work in Detroit and Cleveland and Pittsburgh and not only that their purchasing power is in turn cut off both for agricultural and industrial commodities but that in time they become the recipients of relief paid for by taxes levied upon that very income and capital which should be engaged in giving them employment.

Neither subsidies nor tariffs, nor parity prices, nor any other measure involving the manipulation of money will cure the economic ills of the farmer and stabilize his purchasing power at a level of prosperity. These things—even to the deliberate devaluation of the dollar—have proven futile again and again in the past and will prove so again.

The only real basis for the stabilization of the farmer's prosperity and to a large extent the economy of the nation upon a basis of real prosperity rather than that of alternating booms and depressions, inflations and deflations, is the preservation of the fertility of our agricultural land and an efficient productive agriculture with a sound profit which will permit both the farmer and business man to plan his affairs more than a year ahead.

To put it simply what we need is 50 cent a bushel wheat raised at a profit rather than subsidized dollar a bushel wheat produced at a loss to the farmer. What is needed is not *more* dollars but dollars which buy more.

The only *real* answer is abundance achieved by a mechanized modern productive agriculture. The fact is that while our factories have been moving toward abundance with profit at low cost, our agriculture has been moving steadily in exactly the opposite direction—that of declining production at increasing production costs. In our vast industrial growth many of us have come to believe that our prosperity begins with the pay check at the factory window. This is extremely doubtful when one considers the vast segment of our society whose purchasing power and employment is based upon agriculture and when one considers that food is the basic item in the cost of living.

In the whole business of preserving and restoring our agricultural land and in increasing its production and consequently lowering the production costs of agricultural commodities the country and small town banker has a great role to play. C. W. Bailey of Tennessee, whose story has been told many times, by *Fortune Magazine*, *Reader's Digest*, BANKING, among others, has demonstrated practically and beyond doubt how an able and intelligent banker can improve the whole economy of a community or an area, changing it from a non-productive one of low wealth and tax revenue to one which is prosperous and an asset rather than a liability to the nation. Other country bankers have followed his example with growing success.

IN THE past, like the farmer, the country banker sought only to "mine" the wealth of his community, to translate its original virgin real wealth into money without looking to the future. All too often he did not see or refused to see that a bank and its successful operation was just as sound and profitable as the economic conditions of the community in which it existed. As the productivity of the soil declined until at last farm by farm went out of existence or fell below the level of solvency and profit, the business of the bank both in deposits and loans declined.

The country banker, like the city banker, undoubtedly has a great obligation and responsibility toward the rural community in which he operates. He can aid, persuade and indeed *force*, as government agencies do, the recalcitrant or backward farmer into those agricultural practices which will increase the productivity per acre of his land and so automatically increase his profits and reduce the cost of his production.

The country and small town banker should inform himself as to what is good modern agricultural practice. He should understand that farming is becoming a science and a business in this country as it has been for a couple of centuries in countries like Denmark, Holland, Belgium and France where there are no such animals as "poor farmers." He should see that the American farmer who will not change his ways is doomed to economic liquidation and is already being liquidated. He should understand and preach the fact that a dairy farmer who pastures two head of cattle per acre rather than one head to five acres can sell his milk at a profit even when prices fall and will be a rich farmer when prices are good. He should understand and preach that the soil and its productivity are the very basis of the farmer's prosperity which is determined not by how much land he possesses nor how many head of cattle he owns to *process* the products of his fields but how much and how cheaply these products can be produced. It is in this factor, not in prices alone, that the solvency and prosperity of the farmer really lies.

Suppose a farmer had 200 acres and because of artificially inflated war prices wanted to produce more. In 1918–1919 the farmer, instead of producing the 30 to 60 per cent more production *per acre* of which most American farms are capable if farmed *well*, he bought 200 acres more, farmed all 400 less well, got *less* production per acre of corn or 100 pounds of milk in terms of seed, fertilizer, labor, taxes, interest, etc. If he had remained on his 200 acres, increasing his production by 30 to 60 per cent on the base of 200 acres, as he could have done, the increase would have been very nearly *all* profit, since it was produced from the original economic base without expansion in terms of money or credit. The end of the sad story comes when deflation and falling prices arrive and the farmer, with low production and high production costs, could not meet his interest and mortgage payments. If he had expanded his production vertically on his original base rather than horizontally, he would have remained solvent and would have been able to make a profit even at low prices. He made the great error of dealing in *total* production rather than in production *per acre*.

One factor which has had little attention is the fact that when real wealth in the form of agricultural land or forests (and their productivity) have been destroyed upon such a scale as in this country, the loss reaches a point where neither individuals nor private capital can repair the damage and it becomes of necessity a government function. That is exactly what has happened in this country. The job of restoring our forests and much of our agricultural land (the Cotton South for one great area) has become too great to be done either by individuals or private capital. The Farm Security Administration and similar government agencies did not come into existence simply because someone thought them up and forced them through Washington: they came about because the productivity of some millions of farms fell below that point where the farms themselves would be either a safe or even a legal risk to any country or small town bank—if such institutions had not already disappeared from the scene.

World Bank and Fund

(Continued from page 39)

As intended, the Savannah Conference was the occasion for the requesting by the American governor of clarification of the Bank's authority to make stabilization loans and of the Fund's powers with reference to the financing of other than seasonal and cyclical fluctuations or the financing of armament. There was never any doubt that the ultimate answers to these questions would be those given by Treasury witnesses during the BW hearings in Washington last year, and that therefore no modification of the language of the BW agreements would be necessary.

An interesting development since the BW conference has been the increasing importance attached by the American Government to the Bank, whereas in the early stages and even at BW the preponderant Washington emphasis was on the Fund. What with the growing requests from abroad for dollar loans even the U. S. Treasury has come to see in the Bank advantages which it rather overlooked before. A case in point is Italy. Not only the Italian Government but also the American Government, desiring to see Italy restored, looked to the Savannah Conference to open the way for this former co-belligerent to become a member of the Fund and the Bank. Thereby the way would be opened for Italy to obtain financial help from these two new international bodies, rather than to rely on purely American assistance.

The pre-conference efforts to hold all delegations as small as possible, in view of the limited hotel accommodations, proved generally successful. However, the United States delegation comprised no less than 20, including advisors and not counting Americans in the conference secretariat.

The majority of the delegates and experts attending the Savannah Conference were also at the earlier BW conference. This was true of practically the whole American delegation, as well as many of the foreign delegations. The press delegation was smaller than that which attended the opening of the BW meetings. Business at Savannah was conducted without the pressure and anxiety which attended the drafting of the Fund

Secretary of the Treasury Vinson addressing delegates to the Savannah monetary conference

PIX INC.

and Bank agreement. The problems at Savannah were less technical, and this fact was reflected in the press conferences and news stories.

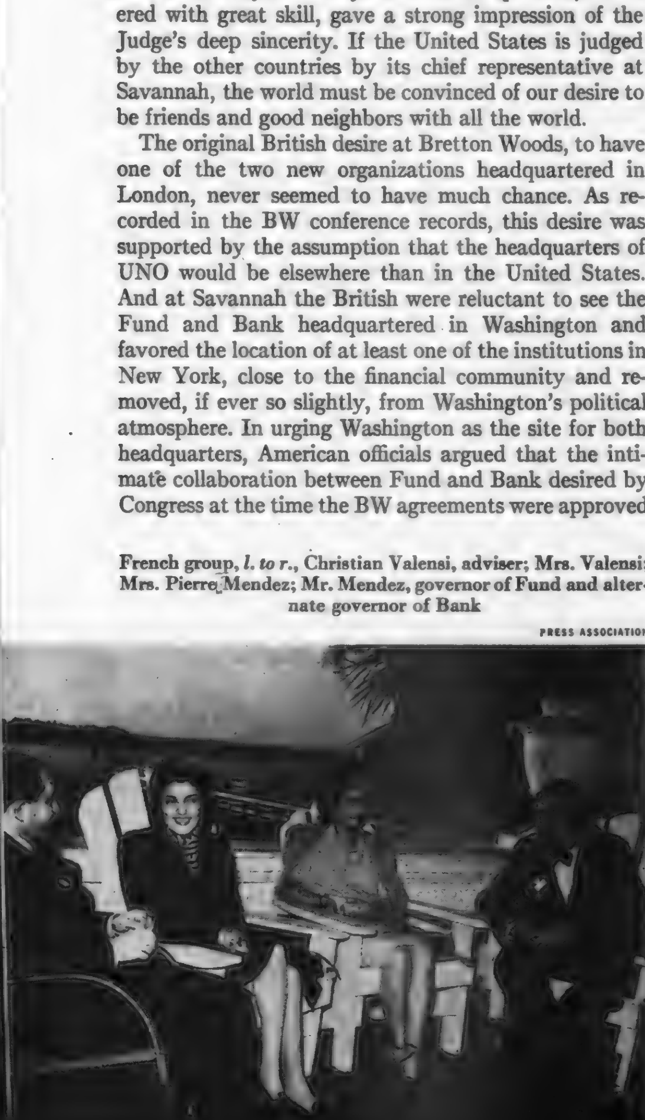
In view of the informal consultation which had taken place between many of the BW countries prior to the Savannah meeting, the way had been cleared for the quick adoption of the Fund and Bank by-laws and various other decisions. As has been pointed out by others, the chief reliance of an international institution, however, is not in its statutes and regulations, but in the spirit in which it works. The writer has observed at Savannah and Bretton Woods benefits which come from prolonged and repeated personal contacts among the representatives of different countries. After you have a few meals or drinks with a man from a distant country, have shared a bus seat and a pleasant trip with him, and otherwise been thrown closely together for two or three weeks, you are apt to improve your understanding of his problems and his way of thought; and he is likely to be less distant and suspicious than might otherwise be the case.

THE story of the Savannah Conference would not be complete without a word about the excellent impression made on all by Secretary Vinson. His speeches, delivered with great skill, gave a strong impression of the Judge's deep sincerity. If the United States is judged by the other countries by its chief representative at Savannah, the world must be convinced of our desire to be friends and good neighbors with all the world.

The original British desire at Bretton Woods, to have one of the two new organizations headquartered in London, never seemed to have much chance. As recorded in the BW conference records, this desire was supported by the assumption that the headquarters of UNO would be elsewhere than in the United States. And at Savannah the British were reluctant to see the Fund and Bank headquartered in Washington and favored the location of at least one of the institutions in New York, close to the financial community and removed, if ever so slightly, from Washington's political atmosphere. In urging Washington as the site for both headquarters, American officials argued that the intimate collaboration between Fund and Bank desired by Congress at the time the BW agreements were approved

French group, *l. to r.*, Christian Valensi, adviser; Mrs. Valensi; Mrs. Pierre Mendez; Mr. Mendez, governor of Fund and alternate governor of Bank

PRESS ASSOCIATION



last year necessitates having both Fund and Bank located in the same city, if not in the same building. And they did not especially want that building to be on Wall Street.

At the very first meeting of the Savannah Conference —the joint inaugural meeting of the governors of Fund and Bank—British concern over Washington domination of the two institutions was delicately reflected in the address of Lord Keynes. The eminent British economics professor and Treasury official, who with Russian-born Lady Keynes, a former ballet dancer, had just crossed the Atlantic with a shipload of GI brides and babies, in ostensibly humorous language expressed his satisfaction with being present at the birth of the lusty twins—the Fund and the Bank—"whether as governor or governess." Lord Keynes then drew on Tchaikovsky's ballet, "Sleeping Beauty," to suggest what gifts might be brought to "Master Fund and Miss Bank" by good and evil fairies and he expressed the hope that "no malicious fairy, no Carabosse," would pronounce curses on the Fund and Bank. "I am asking and hoping, you will see, a great deal," Keynes significantly added. "If these institutions are to win the full confidence of the suspicious world, it must not only be, but appear, that their approach to every problem is absolutely objective and ecumenical, without prejudice or favor."

IN this short yet pregnant speech, unusual for a solemn international gathering yet still typically Keynsian, the British lord went on to express the hope that no bad fairy would doom the Fund and Bank to "grow up politicians," whose every thought and act "shall have an arrière-pensée" and whose every determination "shall not be for its own sake or on its own merits, but because of something else." If that should happen, Keynes observed, "then the best that could befall—and that is how it might turn out—would be for the children to fall into an eternal slumber, never to awaken or be heard of again in the courts and markets of mankind."

From impressions gained early during the conference, what Keynes seemed to be saying thus drolly was that the placing of the seats of the new institutions in Washington would be to leave them too greatly exposed to American diplomatic objectives. The British preferred to have international monetary policies decided and carried out where there exists a commercial tradition and working experience rather than in Washington's political atmosphere.

As is usually the case in large international conferences, Savannah again revealed the importance which many smaller countries attach to committee appointments. To others the prestige seems to be more apparent than real. Whoever invented the concept of "vice-chairman" was a wise man, for that post often confers distinction without power or responsibility.

A Public Relations Check List

(Continued from page 36)

In a small bank the president or the cashier might conceivably have almost the entire range of personal and impersonal contacts, but as positions lower in rank are listed, the letters and numbers would change in accordance with variations in types of contacts.

In a large bank contacts are more specialized, and the eight examples shown in the second column of the sample check list indicate how the information might be recorded.

To make a complete listing in a bank with hundreds of staff members would entail a great deal of work. But the data could be built up over a period of time on a departmental or job level basis and tested periodically for value.

When a sizable accumulation of contact information has been recorded then the check-list maker is ready for an intermediate but very important step.

Contact Evaluation

In the second column there should be recorded a rating of good, fair, or poor on every type of contact noted under each staff member's position and name. This is easier said than done, but if the analyzer is truly desirous of finding out the real facts, he must examine every individual's participation in personal and impersonal public contact. The information must be gathered from a number of sources, including direct observation of people and conditions and reports from customers, outside associations, and staff people, both official and non-official.

After careful weighing and recording of entries in this column, the "as is" picture of the bank's public relations is down on paper. The next move involves decisions leading to action designed to eliminate the poor spots, improve the fair spots, and multiply the good spots.

When this column is completed, the analyzer moves over to the third column of the check list and takes the first constructive step toward initiating an overall public relations program.

Third Column—Deficiency Reasons

Now we come to grips with the old, old principle that public relations depend not just on good advertising and publicity but on manpower, machines, materials, methods, and management producing and selling a valuable service to customers and community. In determining what must be done to improve bank-public contacts, it may be necessary to give consideration to possible changes affecting everything in the bank and perhaps affecting the building itself.

The contacts with customers and public inside and outside the bank and resultant business relationships may be only fair or poor because of one or more of the reasons noted in the third column of the sample check list. There are more possible reasons for poor public relations, some of them entirely beyond the bank's control, but these are sufficient for illustration.

When the analyzer has determined which of the 10 reasons is responsible for each of the fair and poor conditions noted in the second column of his check list, he is ready to set up the fourth column.

Fourth Column—Improvement Possibilities

In this column he lists all the possible actions that should be taken and notes the tools or methods by which the decisions are to be put into effect. Here he may list such things as are shown in the final column of the sample sheet. From this point the constructive work really begins. Every improvement possibility should be fully used in order to eliminate the weak spots recorded in the second column of the check list.

"Wrong book, sir—nothing but women's names and telephone numbers!"

South American Trade Hurdles

Mr. Berger, a former Norristown, Pennsylvania, banker, is now in the export-import business in Buenos Aires.

IT IS well known that one of England's most important slogans, much emphasized by the present government and with good reason, is "England must export to live."

But it seems, at least from the lack of news to that effect here, that industry in the United States still is not cognizant of the fact that, whereas before the present war to export or not to export was not too important, it is now necessary on a very much larger scale if the economy we have built up in the U.S.A. during the war is to be supported and gradually amortized. And the "Good Neighbor Policy" as well as the "Most Favored Nation" agreements both have as concomitants that export and import must be a much more important part of our commercial program.

It is true that for the most part the U.S.A. will for some time be one of the great sources of materials on which the world must rely. But it is equally true that England, which has long been the principal exporter to South America, and particularly Uruguay and the Argentine, is leaving no stone unturned to continue to dominate these markets. "Britain delivers the goods" is a commonly used slogan and truck chasses *are* being delivered here, even though the home markets in England are not being supplied.

G. FRED BERGER

Admitting our problem in the States is by no means as acute, it must never be forgotten that these countries are important markets, and that, in the interest of supporting our own economy, we cannot afford to neglect the development of our share of business in them.

BUT at present, when we could be developing our sales contacts in Latin America, industry in the U.S.A. is doing little to set aside certain quotas of its production for export, so that delivery dates of from 6 to 9 months are by no means uncommon, and in addition, on almost every order or quotation, we are required to make as one of the terms that a confirmed letter of credit must be available at the *time of the placing of the order*. At this time, when there is a great need for goods, almost any terms are accepted, but do not think for one minute that when Europe can once more deliver (and England and Sweden *are* making some deliveries even now) we will retain these markets on our present terms and with our usually higher prices.

What can the banks in U.S.A. do about this? First let me say that I realize many of our banks had their fingers badly burned in South American trade after World War I. And as a former New York State bank examiner, examining foreign departments and foreign banking corporations operating under section 25A of the Federal Reserve Act, I had a part in that burning process. But the losses resulted from over-extension and because little credit investigation of the South American purchasers was made.

NATURALLY, even though mistakenly from a national development point of view, banks are now over-cautious and are undoubtedly advising their customers to be likewise. But they are overlooking the fact that there has been great industrial development in the Argentine, that Brazil is likewise much further developed industrially and that Uruguay, while a small country, is also developing industrially. As a result, there are many prospective customers in these countries entitled to credit—or at least to reasonable terms of payment. And when orders are received from these countries, and we insist on lumping all buyers in one class and require the equivalent of cash on the line—even months before deliveries can be made—we (banks and industry) are just laying the groundwork effectively to eliminate ourselves from the future development of the markets in these countries. For England, Sweden and other European countries, to say nothing of Russia in the future, will have little difficulty in cutting our participation in these markets to a minimum for they will again quote favorable terms and at prices with which it will be hard for us to compete.

So until our real productivity in the States can have its effect on reducing unit prices for goods to be exported, the least we can do to make our stay in a business way in these countries permanent is to do everything possible to treat our customers on bases at least comparable with those we extend our good domestic customers.

Arrived safely — thanks to British convoys.

Bien arrivé — grâce aux convois Britanniques.

Veilig aangekomen — dank zij de Britsche konvooien.

Llegadas felizmente — gracias a los convoyes británicos.

Mercadoria entregue — gracas aos combôios Britânicos.

Veilig aangekom — danksy Britse konvooie.

Ingiliz konvoyu sayesinde salimen muvasalat.

Ἔφθασεν ἀσφαλῶς .... χάρις εἰς τὰς Βρεταννικὰς Νηοπομπάς.

وصلت سالمه شكراً للقوافل البريطانيه

बिरटीश जंगी बेडे के साथ अमन से पहोंचते हैं:

ဂြိတ်ဗရစ်တန်ရေတပ်၏ဒဘနှပေါ်ကြောင့်ကောင်းမွန်စွာရောက်ပါ၏.

ප්‍රවේසමෙන් පැමිණුනාය. ඉංග්‍රීසි උපකාර නැව් වලට ඉස්තූතිවේවා.

"Recently," writes Mr. Berger, "a friend bought a tobacco pipe at Montevideo. When the package was delivered at our hotel rooms we found enclosed a notice showing a convoy of ships, in color, and stating 'Arrived safely, thanks to British convoys.' On the back of this slip [left] this same statement appears in 12 languages. Disregarding the question of how many American ships may have composed the convoys, this is typical of the thoroughness of Britain's merchandising methods even during war."

British Bank Assets

F. BRADSHAW MAKIN

IN BANKING's article of last November on British bank deposits, the writer hazarded the opinion that the great growth in deposits had come to stay, and that no appreciable diminution in the total could be envisaged in the future.

Mature reflection not only confirms this view but also leads one to consider whether the normal prewar functions of British banks will ever again become supreme. For years we have understood a bank to be the vehicle by which the savings of the public are collected and utilized in the provision of short term working capital for trade and industry.

During the war however, the main function of banks in Britain has been to lend back to the Government officially created credit, of which the banks have been the unavoidable recipients. As a result the whole assets structure of the banks has become twisted and out of alignment. In the first place deposits have risen from $8,980 million in August 1939 to well over $18 billion on December 31, 1945. It is in the distribution of deposits that changes of far reaching importance are to be observed: changes that incidentally have some features of permanency. At the outbreak of war the aggregate deposits were distributed in earning assets as follows:—Money Market loans as call money and bills discounted, 19 per cent; investments, 26.8 per cent; advances 43.8 per cent.

At the end of December 1945 the position is very different indeed when we find money market loans at 13 per cent; Treasury deposit receipts (i.e. loans to the Government at ⅝ per cent) 33 per cent; investments, 25 per cent; and advances, 17 per cent.

If it is agreed that a bank's main purpose is to provide funds for industry then a fall in advances from 43.8 per cent to 17 per cent is certainly proof that a very pronounced change has occurred. In 1939 the amount lent to the Government was equal to, if not a little larger than, the sum lent to industry and private borrowers generally. At the present time the volume of deposits lent to the Government is in the region of 67 per cent. The position can be summed up briefly by saying that prior to the war the banks lent to industry some 43 per cent of deposits and a slightly larger amount to the Government. Now the industrial and private borrowers take 17 per cent whilst the government have some 67 to 70 per cent.

As bank advances have always been the most remunerative asset one would assume that their fall in importance in the asset distribution would have entailed a fall in bank profits. Such, however, is not the case as bank profits for the past few years have shown annual increases, that for 1945 being 2 per cent over the previous year. The main cause of the increased profit during a period of rising costs has been the growth in deposits, a growth the banks were powerless to prevent.

THE question naturally arises: how will British banks fare in the future with rising costs and reduced interest rates? The declared intention of the new Labor Chancellor is cheap money and low interest rates. He has already taken the first step when he reduced the interest paid by the Government on TDR's from 1⅛ per cent to ⅝ per cent in October of last year, an action which also brought down the Treasury bill interest from 1 per cent to ½ per cent. The banks thus suffered an immediate cut in their income on an important slice of their earning assets. To make some provision against this fall in income a cut in the deposit rate from 1 to ½ per cent was announced by the banks who also decided as from November 30, 1945 to discontinue allowing any interest on current accounts.

IT HAS been estimated that the total annual loss in income suffered by the banks by the reduction in short money rates will be some $40 million. Against this loss must be set the savings that will accrue by reason of interest-free deposits but whether the savings will make good the deficiency is still open to doubt.

That operating costs are still increasing is generally agreed and as more bank officers return from service in the Forces costs will be still higher. The salary charges will undoubtedly be much heavier than before the war and many other costs have risen in a similar manner. Faced with rising costs and a reduced income how will the banks endeavour to meet the situation. What they would undoubtedly like to see more than anything else is an appreciable rise in the total of advances.

Most high executives will think longingly of those halcyon days when advances were some 50 per cent of deposits and brought in much more than half of the gross income. That some increase in advances is confidently anticipated is only to be expected, but the amount of the increase is not likely to be large in relation to total resources. As a matter of hard fact if the advances were to increase by a third over the present low figure and if deposits remained stationary the ratio would be but some 22 per cent which is a far cry from the prewar figure. It must also be pointed out that the ability of the banks to increase advances also depends on the speed with which they can rid themselves of government paper in the shape of TDR's, Treasury bills and investments.

ON THE other hand if the demand for advances does not develop on a sufficiently large scale, the banks might be tempted to take up further investments to increase income, in other words as TDR's at ⅝ per cent are paid off switch into gilt edged stock at 2½ per cent. The objection to this is that the investment holding is already very considerable, being 25 per cent of deposits, and it is doubtful whether any increase is desired save as an unavoidable resort.

On a dispassionate survey of the existing situation it appears crystal clear that the old traditional distribution of bank assets has gone and is not likely to return. Furthermore the banks as holders of a large volume of government paper are now more than ever committed to the government, thus the official cheap money and low interest policy may have important effects on bank income.

In view of the existing circumstances it is not improbable that some effort will be made to increase the charges payable by bank customers.

The charge for maintaining an account is very low, being a turnover commission of ⅛ per cent, that is 12½ cents is charged for every $100 withdrawn. No minimum balance figure operates, and in the case of business accounts the commission-charge is often as low as five cents per $100 of turnover.

The question of increased charges crops up periodically, it would not be surprising therefore if in the near future increased charges were instituted.

Saving for the Future

(CONTINUED FROM PAGE 70)

appreciation of school savings, he asserted, would place the subject "very close to reading, writing and arithmetic." It is doubtful whether any of the academic courses "can contribute as much to the happiness of the individual as a knowledge of how to manage his money." The banks, Mr. Dunkerley asserted, are partners with the Treasury in the sale of Savings Bonds, "but it is important also that we maintain our position as repositories of savings deposits, and we shall overlook a great educational opportunity if we permit the school savings program developed during the war to suffer through lack of interest on our part."

PHILIP A. BENSON, president of the Dime Savings Bank of Brooklyn, New York, analyzed pending housing legislation, particularly the Wagner-Ellender-Taft Bill. In his opinion, "many of the provisions of the bill are bad in that they provide for things to be done which are unnecessary and unwise, and others which hinder rather than help the housing problem. Some of the bill's provisions place the Government in unfair competition with private enterprise. Others are wasteful and extravagant of the taxpayers' money."

Dr. Marcus Nadler, professor of finance at New York University, brought the conference his expert views on inflation and interest rates. The principal cause of the inflation danger, he said, is "the faulty method of financing the deficits incurred during the past few years." Monetization of the debt has led to a very large supply of public purchasing power, and it is evident that the principal means of fighting the inflation threat "is through a reversal of the policy which prevailed during the war," which in turn implies drastic reduction of government expenditures, maintenance of high taxes, and a refunding policy which would reduce bank holdings of government securities." If inflation is halted, Dr. Nadler thought, people's savings will be a cushion that will tide them over periods of declining business. But if necessary measures to check inflation are not taken, "there is a serious possibility" that a flight from the currency and from savings may be the result.

AT A SESSION devoted to the merchandising of mortgage credit, three speakers outlined programs being worked out in their banks. Gordon F. Christie, mortgage officer of the Bridgeport-People's Savings Bank, Bridgeport, Connecticut, talked about construction loans, pointing out the advantages of these credits and their service as entrees to mortgages on new homes. Edward G. Rounds, public relations officer of the Holyoke (Massachusetts) Savings Bank, discussing mortgage sales methods, mentioned contacts with real estate brokers and contractors, various promotion channels such as home builders' clubs, newspaper and radio, and business development through contacts with the bank's present customers. Neil MacInnis, treasurer of the Malden (Massachusetts) Savings Bank, on the subject of the veteran's mortgage loan, said this was an extraordinary field "in which to establish good public relations which are sure to pay dividends in many ways."

H. B. Smith, presenting "the mortgage package," stressed the basic requirements of a successful merchandising program: good merchandise and a sales-minded organization. Education, "tailored" mortgages, rates, insurance for mortgagors, financing of repairs, prepayments reserves, equipment coverage, favorable public relations and a sales program were among the items outlined by the director of the A.B.A. Real Estate Finance Department.

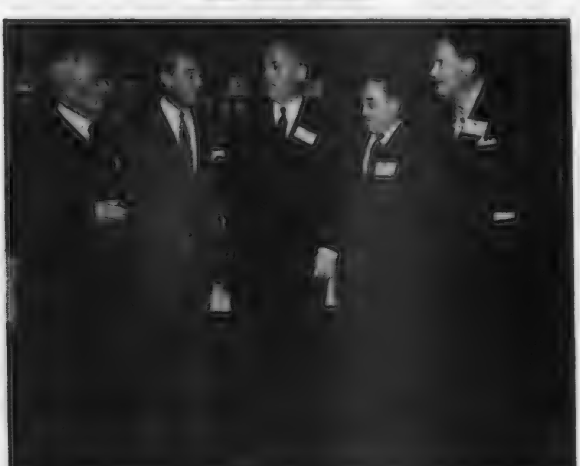
JOHN C. TAYLOR, JR., president of American Houses, Inc., told the conference he believed banks were reaching only a part of the mortgage market. He didn't think their product was "streamlined and styled sufficiently well" to enable them to meet the competition, "particularly that which is coming from outsiders who are attempting to invade this mortgage field."

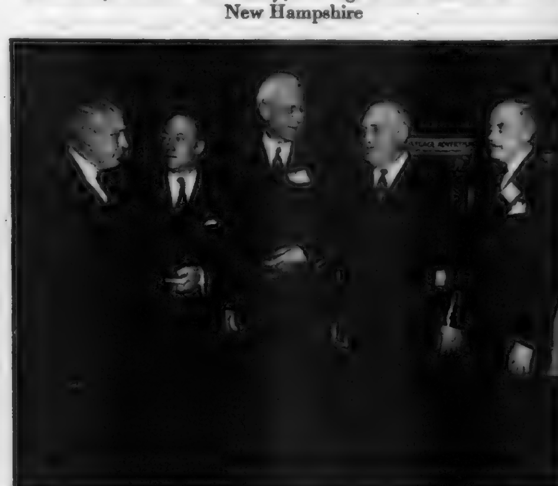
The banks' emphasis has shifted from

At the Boston Conference

Left to right, H. M. Nelson, executive manager, Savings Banks Association of Maine; A. L. Muench, secretary, New York State Bankers Association; P. W. Albright, general secretary, Savings Banks Association of the State of New York; P. B. Menagh, executive secretary, Savings Banks Association of New Jersey; H. B. Smith, director, A.B.A. Department of Real Estate Finance

J. R. Dunkerley, A.B.A. deputy manager and secretary, Savings Division; W. A. Wilkinson, assistant secretary, Connecticut Savings Banks Association; George Fernald, secretary, Maine Bankers Association; Kenneth McDougall, executive manager, Savings Banks Association of Massachusetts; N. B. Flanders, executive secretary, Savings Banks Association of New Hampshire





ACME PHOTOS

production to sales. "The keynote of your publicity is not how much interest you pay, but rather the advantages which attend home ownership, plus the ease of buying refrigerators, radios, etc. Maintaining a balance between production and sales is essential to any business. The condition of your institutions shows the need for greater activity on the part of your sales departments."

Raymond M. Foley, Administrator of the Federal Housing Administration, outlined "bankers' responsibilities in the current mortgage market." The price question today is affected by abnormal costs, the biggest factor in the Federal emergency housing program. He believed that program could telescope the time required for providing houses, hastening adoption of new materials and techniques, speeding elimination of restrictive practices that add to costs—in short, it could effect greater efficiency and productivity. Mr. Foley called attention to the need for lenders "to give careful attention to the appraisals of value upon which their loans are based," pointing out that a percentage ratio of loan to appraisal "has little significance otherwise."

Dr. Ernest M. Fisher, professor of urban land economics at Columbia University, brought the conference a perspective view of 1946 mortgage lending. Tracing the rise and fall of the market over a considerable period, he urged bankers to lead competition rather than to follow it. "Bankers are under no disabilities that require them to follow competition in mortgage lending," he said. "On the contrary, with their large volume of assets, the prestige and confidence they possess in their communities, they have even an obligation to assert and maintain leadership in mortgage lending practice. It may be that they owe it to their depositors and the public to warn against sharp practices and unwise policies."

Dr. Stonier, executive manager of the Association, in summing up the conference, offered a program for what he called "this era of prosperous pessimism." A bank's most important asset, he said, was its personnel, and banks should ask themselves what they were doing to encourage it in a feeling of partnership. He urged that banking get over the concept that "working in a bank is a habit." Also, he suggested that banks meet competition by advertising and personal solicitation as means for maintaining their prestige as leaders of saving; that they make keener analyses of both mistakes and strong points in their operation as business units; that one man in each bank have the responsibility of analyzing the helpful material produced by the bankers associations.

Dr. Stonier hoped the day would come when there would be some competition for government securities and when banks could again aid industry by buying its securities. Costs, he said, would continue to rise until something was done to curtail the supply of money. Lastly, he told the bankers they couldn't hope to meet the postwar mortgage market with a prewar technique.

A Central West Savings Conference

Appointment of a conference committee to make plans for a Regional Savings and Mortgage Conference at Des Moines on May 27 and 28, has been announced by Myron F. Converse, president of the Savings Division of the American Bankers Association and of the Worcester (Massachusetts) Five Cents Savings Bank.

The committee, of which H. L. Horton, president, Iowa-Des Moines National Bank & Trust Company, is chairman, is planning a program for the two days and has selected the Ft. Des Moines Hotel as conference headquarters.

Serving with Chairman Horton on the conference committee are: E. F. Buckley, president, Central National Bank & Trust Company, Des Moines; C. A. Christopherson, state vice-president of the Savings Division for South Dakota, and chairman of board, Union Savings Bank, Sioux Falls, South Dakota; W. R. Courtney, state vice-president for Missouri, and president, Mexico (Missouri) Savings Bank; John De Laittre, state vice-president for Minnesota, and treasurer, Farmers and Mechanics Savings Bank, Minneapolis; M. W. Ellis, Iowa state superintendent of banking; William Gough, state vice-president for Kansas, and cashier, Bank of Commerce, Chanute, Kansas; B. A. Gronstal, state vice-president for Iowa, and president, Council Bluffs (Iowa) Savings Bank; B. F. Kauffman, president, Bankers Trust Company, Des Moines; Frederick M. Morrison, president, Valley Savings Bank, Des Moines; F. E. Stewart, state vice-president for North Dakota, and cashier, American State Bank, Williston, North Dakota; R. O. Wagner, president, Capital City State Bank, Des Moines; Frank Warner, secretary, Iowa Bankers Association; and C. F. Witt, state vice-president of the Savings Division for Nebraska, and president, South Omaha Savings Bank, Omaha.

How to Apply the Service Charge Plan

(CONTINUED FROM PAGE 53)

or statement stub.)

(D) Determine earnings credit (from minimum balance appearing on ledger sheet or statement stub) and deduct from total of (B) and (C).

(E) *The result is the net cost (if any) or service charge.* (If the service charge is less than 10 cents, it is common practice to waive the charge.)

At this point the amount of the service charge appears on the monthly slip, the semi-annual record sheet or on the statement stub.

(3) Posting the Service Charge

The amount of the service charge appearing on the monthly slip, the semi-annual record sheet or the statement stub should be posted to the ledger and statement using the designation "S.C."

NOTE: Some banks include the individual monthly service charge slip or the detachable portion of the semi-annual service charge record sheet with canceled checks and statement delivered to the depositor.

Such detailed records are confusing to many customers. Where the service charge plan is easily understood, such as this suggested plan, experience reveals that depositors very seldom question the "S.C." notation when a detailed record is not included with their statement. For those banks that desire to furnish their depositors with a notice of charge, an explanatory charge slip listing only the actual charge could be used. This procedure, however, increases operating costs.

It is far better to retain such records for bank reference when depositors request a detailed explanation of the "S.C." entry. Questions raised by depositors on service charges can be most satisfactorily answered through personal contact. Such personal contact affords the bank officer the opportunity of doing a constructive customer relations job where it is most needed.

North of the Border

(CONTINUED FROM PAGE 81)

latest classification shows some significant changes, both from the preceding year and since 1939. Total deposits of all classes increased by $650 million during the year ended October 31 last and were more than double those on the same date in 1939. The most striking changes, however, have taken place in the number of comparatively small savings accounts, $1,000 or less, of which there were 1,100,000 more than in 1939 and nearly 400,000 more than in 1944. Moreover, many depositors moved into the higher brackets.

The classification of loans shows an increase in total accommodation of about $90 million over 1944 to a point slightly higher than in 1939. Poor crops in many sections of the country accounted for a marked decline in agricultural loans on October 31, 1945. Financial loans rose considerably because of heightened stock market activity and a greater tendency on the part of bondholders to borrow against their securities rather than sell them.

RECENTLY, however, higher margins have been imposed on the stock exchanges following the lead taken by American authorities and call loans may drop. Larger loans to wholesale and retail customers indicate the rebuilding of inventories, but there was but little change in advances to manufacturers. The remaining large item, "Other Loans," includes advances to individuals for sundry purposes and is made up partly, also, of so-called personal loans, the growth of which has been quite marked in the last year or two. While the number of all borrowers is not given in this classification, it runs into several hundred thousand. These bank loans are, therefore, not only well diversified as to purpose, but also as to class, by far the greatest proportion being for small enterprises.

Asking the Impossible
Cartoonist Jim Collins of the Montreal Gazette gives his impressions of Canadian labor demands that higher wages be met without raising prices

Will Study National Debt

(CONTINUED FROM PAGE 50)

of the New York *Journal of Commerce;* S. M. Foster, economic advisor of The New York Life Insurance Company; Professor Marcus Nadler, Graduate School of Business Administration, New York University.

Roy L. Reierson, assistant vice-president, Bankers Trust Company; George B. Roberts, vice-president of The National City Bank of New York; Murray Shields, vice-president of The Bank of the Manhattan Company, and Arthur P. L. Turner, Jr., of The Bank of the Manhattan Company. The director of research is Professor James J. O'Leary, formerly of Wesleyan University, Middletown, Connecticut.

How Would Bank Stocks Meet Inflation?

(CONTINUED FROM PAGE 47)

Under these conditions losses of only a small percentage of a bank's total assets could wipe out a large percentage of bank capital.

Favorable Elements

On the favorable side of the balance sheet we found the following:

(1) *Banking is one of the most flexible businesses in the world.* It should be able to adjust itself quickly to changed conditions as they develop. For example:

The chief business of banks is the manufacture and sale of credit. The major limiting factor in the production of credit is the availability of the raw material—"required reserves." The banking system now possesses approximately $1 billion of excess reserves, and tremendous additional reserves are readily available (such as through sale of government bonds by member banks to the Federal Reserve, or through rediscounting) should the need arise.

The price for the chief product of banks, i.e., the rate of interest charged on loans, could be readily increased if the cost of producing the product were to advance.

(2) *Banking is a fundamental business.* It is inconceivable that general business and trade could be active without the business of banking participating in this activity. Because banking could adjust the selling prices of its product to reflect cost increases in its production—as discussed under (1)—this increase in business should also be profitable. The loan departments of most banks are already adequately staffed, and could handle a substantial increase in loans without a proportionate increase in operating costs. Since the rate of interest received on loans is considerably higher than that received on investments, any significant increase in loan volume should be promptly reflected in an increase in earnings on bank capital.

(3) *The most valuable assets that a bank can possess are its reputation for integrity, the experience of its management (financial "know-how") and its client relationships.* None of these need be harmed by an inflation, no matter how extreme. Although all three are intangible they can be just as valuable during an inflation, and just as useful in an inflation's aftermath, as oil in the ground or metal in the mine. The ownership of a bank is represented not only by a residual claim against a certain number of dollars; more importantly it is represented by integrity, managerial ability and client confidence. Ownership of a bank which possesses these three basic but intangible assets should have a continuing and enduring value under any and all business conditions; without these three fundamentals the ownership of a bank is an unsatisfactory investment no matter how favorable external conditions may be.

Summing up, it seems reasonable to conclude that during an inflationary period the capital of banks would not offer a theoretically ideal medium of investment, but, because of the indispensable nature of the services which banks render and the flexibility of their operations they should be able to adjust themselves quite satisfactorily and maintain a good level of earning power under such conditions as might be expected to develop over the predictable future.

What the United States needs is less paternalism in Washington and more in American homes.

Your Reading

Banking Background

The Economic Mind in American Civilization, 1606–1865. *Joseph Dorfman.* 2 Vols. 987 + 105 pp. The Viking Press, New York. 1946. $7.50.

This work presents a comprehensive view of economic thought, and with it a picture of economic history, from the first English settlements in America through the Civil War. Although the book is long, the pace is fast. Only a few pages are devoted to each topic or individual, after which the attention is shifted to new subject matter. There are many intimate sketches of the personalities and financial circumstances of the more important individuals who were instrumental in influencing public opinion in their respective fields. These sketches give a background against which the economic views of the times may be appraised.

This study is recommended both for the general reader who requires a broad survey of American economic thought as it has evolved during two and one-half centuries, and for the specialist who needs the perspective and background to which his speciality may be related.

The reader will be impressed by the evidence that some of the more critical problems of our times in money and banking, fiscal policy and price control, and land speculation were of concern to the colonies and later to the States. These were settled by trial and error, as we are settling these problems today.

Financing the national government by the expansion of bank credit was an important topic of concern during each of the great wars. The role of government spending in business depressions, and managed currencies versus hard money received serious consideration throughout the entire period surveyed in the volumes. Those who feared inflation and those who predicted a deficiency of purchasing power debated their proposals for monetary management and fiscal control. Discussions of monetary theories, banking practice, and proposed money and banking reform run through the narrative covering each decade.

The treatment is divided into three periods: (1) Colonial America; (2) from independence to Jackson, (a) the emergence of traditions of "free enterprise" and (b) the emergence of systematic economics; (3) from Jackson to the Civil War.

Robert W. Bachelor

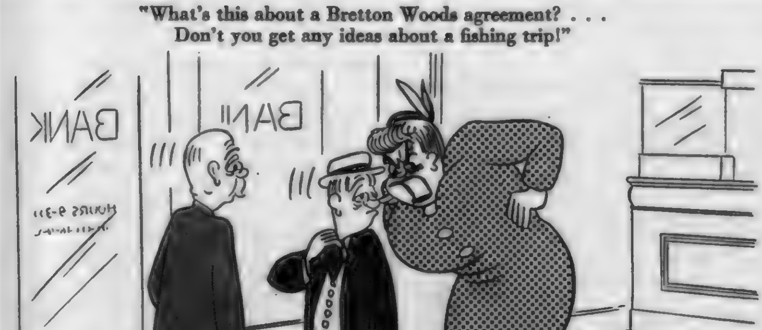
Foreign Exchange

Foreign Exchange Control. By *C. J. Gersback.* Bankers Publishing Company. 64 pages. $5.

Here is a complete system of accounting control for all foreign exchange transactions. The publishers say it is the first book of its kind. Mr. Gersbach has had more than 30 years accounting experience in the United States and abroad, and served as an auditor of an international banking firm.

Much of the book is given over to reproductions of all the necessary forms and vouchers required to put into use the system the author suggests.

"What's this about a Bretton Woods agreement? . . . Don't you get any ideas about a fishing trip!"



Staff Training

A recent issue of *La Revue de la Banque*, a Belgian bank publication, published an article on the Public Relations Council and the Committee on Public Education of the American Bankers Association. Expressing approval of the efficient initiative of the educational program, the journal gave a comprehensive digest of the Association's activities.

Banks Are Building

(Continued from page 62)

larger banks, rather than an expression of hope for new business themselves.

What will be the features of the overall bank modernization program? Here they are in the order of mention in our study: Modern lighting, modernization of tellers' counters, air conditioning, soundproofing, new floors, modernization of officer's quarters, new vaults and fixtures, night depositories, drive-in services and others.

While the whole objective of the bank building program is designed to woo and win the public, the general improvement of working conditions within the bank is another objective of no small importance. Aside from the need of larger, better equipped working areas, most banks have in view other features designed primarily for employee comfort and recreation. Some banks will install lounge and recreation rooms, club meeting rooms, dining facilities, and showers.

The Big Bull Market

(Continued from page 43)

newsboy is doing a landoffice business by hawking "Rockefeller Goes Broke." Inside, five of the nation's leading bankers meet beyond closed doors.

Representing the combined banking power of the United States are Thomas W. Lamont of J. P. Morgan & Co.; Albert H. Wiggin, chairman of the Chase National Bank; William C. Potter, chairman of the Guaranty Trust Company; Seward Prosser, chairman of the Bankers Trust Company, and Charles E. Mitchell, chairman of the National City Bank. These men, later joined by George F. Baker, Jr., of the First National Bank, pledge $40,000,000 each to provide a cushion of buying power under the sagging market. The bankers, it seems, are not worried.

The market rallies at once. At 2 P.M. Richard F. Whitney, recognized as spokesman for the banking pool, strides onto the floor and electrifies the market by shouting above the bedlam a bid of 205 for 25,000 shares of Steel, then selling at 195. The day closes with most securities recovering a substantial part of their losses.

"I am still of the opinion that the reaction has badly overrun itself," Mr. Mitchell says. "We believe that present conditions are favorable for advantageous investment in standard American securities," proclaims an advertisement drawn up by the big financial house of Hornblower & Weeks for insertion in 85 newspapers. "The worst is over," says J. L. Julian of Fenner & Beane, "the selling was panicky, brought on by hysteria. General conditions are good."

The statements of the New York titans are read with interest from coast to coast, for the panic has been duplicated on all the nation's exchanges.

From the Federal Reserve Board's two meetings in Washington, with Secretary of the Treasury Andrew W. Mellon personally presiding over the second one, comes word that the avalanche of selling has not resulted in a situation serious enough to call for government action. And in London, John Maynard Keynes, one of the world's leading economists, tells American correspondents that he does not "expect any serious, direct consequences resulting from the Wall Street slump." Sir Josiah Stamp, director of the Bank of England, views the break as "valuable for the financial health of the United States."

October 25. The New York Exchange's weary employees—some have had to snatch a few hours' sleep in hotels in lower Manhattan and downtown Brooklyn and some on the marble floors of banks—pull the loose ends together in time for the bell. Selling is calm, undoubtedly due to the bankers' pool and the soothing words uttered in lofty places—Herbert Hoover says the fundamental business of the country is sound. Prices are stable until closing.

October 28. Prices of leading industrial, railroad and public utility securities melt away under a tremendous selling wave. "Stock Prices Slump $14,000,000,000 in Nationwide Stampede to Unload," says an afternoon headline. The bankers' pool meets again, a Morgan broker bids up Steel again, the market rallies again, but this time nothing can stave off calamity.

October 29. This is it—Black Tuesday. The bottom—what's left of it—falls out of the Big Bull Market as the hysterical rush to sell reaches its climax. There is bedlam on the floor. "They roared like a lot of lions and tigers," a gray-haired Stock Exchange guard says later, "they hollered and screamed. They clawed at one another's collars and ties. It was like a bunch of crazy men. Every once in a while, when Radio or Steel or Auburn would take another tumble, you'd see some poor devil collapse and fall to the floor."

The Exchange's 40 governors hastily assemble. It is the famed "cellar meeting." Thomas Lamont somberly tells the governors, "Gentlemen, there is no man nor group of men who can buy all the stocks the American public can sell."

The meeting is at noon. By this time 8,378,200 shares—some in blocks up to 50,000—have been dumped on the market at whatever prices they'll bring. Auburn drops 60 points, Du Pont 70. The rich begin to go under. The institutions which have purchased common stock, the investment trusts, the big professional investors, are being wiped out. (The little speculators already have been blown out of their accounts by the long decline from early September, topped by Black Thursday.) Before the bell, 16,410,000 shares are sold on the Stock Exchange and 7,000,000 on the Curb—an all-time record. The curtain is about to ring down on the greatest financial upheaval in world history.

October 30. Hope, always hope. Eugene G. Grace of Bethlehem Steel: "I cannot see any reason for all this pessimism." John D. Rockefeller, Sr.: "There is nothing in the business situation to warrant the destruction of values that has taken place on the Exchange in the past week, and my son and I have for some days past been purchasing sound common stocks." But *Variety*, the hard-boiled journal of show business, is dour: "Stock Market Lays an Egg," says its headline.

November 1. The market is shut down in the bankers' much-heralded "cooling off" period. It cools off—but it never comes back. It keeps breaking until—

November 13. The New York *Times* average of 50 leading stocks, 311.90 in September, stands at 164.43. In these cold figures the Big Bull Market lies buried. (An estimate of losses puts the figure at $26,000,000,000 and in 1932 a Senate committee is told that $50,000,000,000 is closer to it.)

A few days later a workman repairing the roof of a Wall Street building attracted such a large crowd that police had to be called. The crowd stood spellbound, afraid the man was going to jump.

Now the whole tragedy of 1929's Black Days—all the heartbreak, the vanished savings, the smashed fortunes, the worthless paper profits—appear to have been forgotten. We're on another prosperity binge. The market is bullish; the volume of trading is climbing. There is three times more money in circulation than there was before the war began. And the struggle is on again between the hardheaded few who are crying out against runaway prices and runaway inflation and the many who would gamble on getting rich overnight.

"How can you say I don't give any thought to the future, dear, when I know exactly what I'm going to buy with your next week's pay check?"

Arizona's New Bank Tax Law

A REPORT by John B. Crowell, member of the A.B.A. Subcommittee on State Taxation of Banks, says that Arizona bankers are well pleased with the new bank tax law providing an excise tax of 5 per cent on net earnings including income from all United States bonds.

The old method assessed the capital, surplus, undivided profits and reserves of banks, with an inclination to take the book value as the full value.

Mr. Crowell reports that the bankers felt no regret over the fact that for 1944 the banks paid more taxes under the new law than would have been paid under the old, because they have the protection of reduced taxes when and if earnings again decline. Under the old system it was discovered that a parent bank could absorb a unit bank and make it a branch without increasing its taxes, but the value of the former unit bank just passed out of existence when liquidated. Furthermore, some banks had large real estate holdings of income property which were in effect off the tax rolls because the real estate was deducted from bank capital and thereby reduced the taxes collected on the capital. This was entirely legal but gave banks with large real estate holdings a tax advantage over banks owning only a bank building.

When the Committee on State Legislation of the American Bankers Association released the "Bank on Wheels" showing a hypothetical bank taxed under the laws of each state, with Arizona paying $5,657.22, while the amount paid by the bank in other states varied down to Delaware where it paid $404.13, the Arizona bankers were aroused to action.

The Arizona Bankers Association brought a bill to the legislature providing for taxation of banks on the excise method, although the measure really increased the amount of taxes for banks with large real estate holdings or with low ratio of capital to deposits. Twice the legislature approved the law and twice the governor vetoed it. The second time it was passed over his veto.

In presenting the bill, no attempt was made to conceal the fact that banks would pay a total of less taxes but it was shown that under Section 5219 U.S.R.S. there were only four ways to tax banks and the proposed law was the second highest method.

An FDIC examiner appeared before a joint committee of the Senate and House, and explained the hopelessness of expecting banks to increase capital structures with the tax penalty, but indicated confidence that Arizona banks would strengthen their banks if the method of taxation were changed. His prediction was justified by the fact that Arizona banks have very substantially increased capital and surplus since the tax law was changed.

"Before I open an account I wish to see a copy of your insurance policy!"

At the Chicago World Trade Conference: *l. to r.*, A. W. Roberts, vice-president, Continental Illinois National Bank and Trust Company; William McChesney Martin, chairman, Export-Import Bank, Washington, D. C.; and Harry Sallinfer, vice-president, First National Bank of Chicago

Savings Bank Life Insurance

ACCORDING to annual reports of life insurance departments of 35 banks in New York State, total insurance in force as of December 1945 amounted to over $61 million, an increase of 60 per cent, or $15,701,950 above 1944.

Seven new banks came into the system, making a total of 54.

Tax Effect of Bank Mergers

Q. A merger is proposed between two banks, one a national bank, the other a state bank. It is proposed that their merged continued existence shall be under the charter of the national bank. What will be the tax consequences?

A. No gain or loss will be recognized. There will be no change in the bad debt deductions of the merging banks. Only one return is required for the taxable year of the merger, for income tax, capital stock tax, stamp tax, etc.

Section 34a, Tit. 12, U.S.C., provides, with respect to such mergers, that:

> . . . the corporate existence of each of the constituent banks and national banking associations participating in such consolidation shall be merged into and continued in the consolidated national banking association and the consolidated association shall be deemed to be the same corporation as each of the constituent institutions.

Authorities in support of the above answer include: *United States v. Seattle-First National Bank*, (1944) 321 U. S. 583, 64 S. Ct. 713; *United States v. Northwestern National Bank & Trust Co. of Minneapolis* (1943 CCA 8) 137 Fed. (2d) 761; *Hoboken Land & Improvement Co. v. Commissioner of Internal Revenue* (1943 CCA N.J.) 138 Fed. (2d) 104; G.C.M. 24423, Int. Rev. Bulletin, January 11, 1945.

Q. Suppose the merging banks proposed to continue existence under the charter of the state bank. What would then be the tax consequences?

A. There is no provision in the National Bank Act (Tit. 12, U.S.C.) for a merger of a national banking association with a state banking corporation under the latter's charter. Consequently, *pro forma* dissolution and termination of the national bank would seem to be a necessary part of such a transaction.

Whether the corporate entity of the national bank would continue under these circumstances is an open question. The answer is indicated to some extent by the statute laws of the several states. In many states, the statutes provide that the *separate* corporate existence of merging companies terminates, except that of the surviving company under whose charter the combined business is carried on. The Bureau of Internal Revenue has construed this fact to require a separate return for the portion of the year preceding the merger. In New York, however, the statute expressly provides that the "corporate existence [of each constituent banking corporation] shall be merged into that of the receiving corporation." *Sec. 602, Banking Law, N. Y.* The Texas law contains similar provisions. *Vernon's Texas Statutes, Art. 342–308*. This provision applies to national banks merging with state banks. *Sec. 600, Banking Law, N. Y.* Also, in New York, a national bank may change into a state bank without losing its corporate entity. "Such state bank [organized just prior to the dissolution of a national bank] shall be deemed to be a continuation of the entity and of the identity of said national bank." *Sec. 136, Banking Law, N. Y.* For similar provision in Texas law, see *Vernon's Texas Statutes, Art. 342–309.*

The law under which the merger or conversion is authorized controls. *United States v. Northwestern National Bank & Trust Company of Minneapolis* (1943, U.S.C.C.A. Minn.) 138 Fed. (2d) 104. It would seem that in New York and Texas, only one Federal income on capital stock tax return for the year, in case of either change from national to state bank or merger, would be required.

Whether there would be a reorganization within the meaning of Section 112 of the Internal Revenue Code, in which no gain or loss would be recognized, is also an open question. The Internal Revenue Code does not define the term "merger," as used in Section 112. The combination of two or more banks might not comply with all of the conditions of Section 112 (g) (1), relating to "nontaxable reorganizations," unless it was a merger. In this, also, it would seem that the state statute would control. In *United States v. Northwestern National Bank & Trust Co.* (1943 CCA-8), 137 Fed. (2d) 761, 763, the Court said: "The effect of the merger or consolidation depends upon the statute authorizing it." In one instance, a national bank changed to a state bank under Section 600, Banking Law, New York, thus continuing its corporate entity, and then merged with another state bank under Section 602, Banking Law, New York, thus completing a reorganization in which gain or loss was not recognized under the Internal Revenue statutes then in force, which were substantially similar to the present Section 112, Internal Revenue Code.

The law, as it now stands, in some states, and is or may be interpreted for tax purposes, apparently gives the national banking system an advantage over state banking systems, in the respects above mentioned. It thus may be an obstacle in the formation of mergers or consolidations which would be to the best interests of the banks concerned, and cause a state banking system to lose a member through no fault of state system and no particular merit of the national banking system.

It may be that, in the case of a merger of a national and a state bank under the state charter, in States where the state law is not so definite as in New York and Texas, the law would be construed to give the same result as a merger under the national charter. Yet, under present law, merging banks dare not take that risk. Such a merger might lead to expensive and protracted litigation, which might end with judicial approval of a disastrous tax liability. Therefore, whatever the true construction of the applicable law may be, merging banks, national and state, are practically forced, in some states, to merge on the national side. There is safety from untoward tax results on the national side, and grave danger on the state side.

The safety on the national side is all attributable to the words quoted above from Section 34a, Tit. 12, U.S.C., particularly the words "Corporate existence . . . shall be continued" and "the

consolidated association shall be deemed to be the same corporation as each of the constituent corporations."

There appears to be no reason why the laws of each state should not contain a similar mandate with respect to bank mergers. It is undoubtedly within the legislative power to continue the several corporate existences in one. There is precedent for it in the National Bank Act and the New York Banking Law provisions cited. Such provisions would accord with the original legislative intention to continue without interruption the ownership, business and powers of all the consolidating or merging companies. Only super-technical legality could find in these situations a new corporate entity, or a discontinuance of the constituent corporate entities.

In the Internal Revenue Code, Section 112, an attempt was made to confine tax results to the true, practical facts, ignoring legal forms which appeared to compel an unintended result. But occasionally the section may be prevented from accomplishing the result intended.

It is suggested that amendments to state laws, where needed to provide that the corporate entities of merging or consolidating banks shall be continued in the successor or surviving bank, would, in time, be of great benefit to banks which, for special or local reasons, desire to merge or consolidate under state charters.

Safe Deposit Pitfalls

Q. What is a bank's responsibility to a renter of a safe deposit box?

A. The bank is bound to use ordinary care, in protecting the box from improper entry — that is, the bank must avoid negligence which would afford anyone an opportunity of improper access.

The relation of the bank and the safe deposit box renter is generally that of bailee and bailor. It is, in case of loss of the contents of a box, deemed more than the relation of lessor and lessee. But a bank is not usually an insurer of the contents of the box, except where it has assumed that relation by its own contract or act.

Q. Suppose that a bank advertises that its safe deposit boxes are fire-proof and burglar-proof, does it thereby become an insurer?

A. Cases where loss of valuables deposited through such advertising solicitation occurred have all been based on charges of negligence. Nevertheless, the advertising evidently fastens on the bank a duty of greater care. In one case where the bank exercised the same care that it used with respect to its own cash and securities, the court remarked that it was negligent in the care of its own property. *Hill v. Ansted National Bank*, 95 W. Va. 649, 123 S. E. 417. The degree of care required is that of a prudent business man of his own property.

In a footnote in Safe Deposit Decisions and Practice, p. 200 (published by New York Safe Deposit Association), appears the following comment:

> "The courts are very apt to hold a safe deposit company as an insurer against loss where it solicits customers with such special inducements and unlimited guarantees."

Such advertisements undoubtedly attract customers and may be worth the risk, if the bank is satisfied that it can actually avoid fire and burglary.

Q. What are some of the principal precautions which a safe deposit company should exercise?

A. In addition to having burglar-proof and fire-proof vaults, the bank should:

(1) Avoid having attendant left alone with the box;

(2) Change lock when safe is surrendered;

(3) Change lock when deputy's right of access is cancelled;

(4) Change lock when a key is reported lost;

(5) See that customer removes his key from safe before going out of sight of it;

(6) Refuse to take possession of customer's key during rental term.

"It would revolutionize everything, chief. No heads, no tails!"

A polite man today is one who offers a lady a seat when he gets off the bus.

One thing the war and a lack of goods have done is to give the public a chance to get their installment payments cleaned up.

The only thing more expensive than education is ignorance.

"You'll like old Joe. He'd give you the shirt off his back!"

Q. Does a safe deposit company incur any special responsibility in letting a safe deposit box to two or more customers jointly?

A. The question has arisen whether a joint tenancy in the contents of the box may unintentionally be created by such rental. See article entitled, "*The Unintentional Creation of a Joint Tenancy in the Contents of a Safe Deposit Box*," by Louise Carp Gelber, in California *Law Review* for September 1944. In case of the death of one of the joint renters, the rights of the survivor, and consequently the duties of the bank, would be different if a joint tenancy in the contents existed from what they would be if the contents of the box represented separate property of either or both of the renters.

The term "joint tenancy" has a technical legal significance which may be misunderstood by laymen, especially as many states have abolished estates by joint tenancy. At common law, the phrase relates to ownership of property. Laymen commonly understand "joint tenancy" to mean "joint rental." A lease can be made to two or more lessees jointly and a right of survivorship in the lease can be provided. The confusion which may develop is likely to be between a joint lease of the safe deposit box and joint ownership of the contents. This confusion has even made its appearance in court decisions, where the surviving joint lessee of a safe deposit box has, after the death of the co-lessee, claimed ownership of the contents of the box.

There are a few cases that hold that the mere act of executing a joint lease to a box is sufficient to create a joint tenancy of the contents. *Lilly v. Schmock*, 297 Mich. 513, 298 N.W. 116; *Graham v. Barnes*, 259 Mass. 534, 156 N.E. 865. Several cases also have held that the signing of a lease form provided by the bank, stating that the contents "now or hereafter deposited" in the box, shall be held as joint tenants, specifying the right of survivorship, creates a joint tenancy in the contents. *Young v. Young*, 126 Cal. App. 306, 14 Pac. (2d) 580; *Estate of Gaines*, 15 Cal. (2d) 255, 100 Pac. (2d) 1055; *In re Koester's Estate*, 285 Ill. App. 594, 3 N.E. (2d) 102.

If the bank is satisfied that a joint tenancy as to the contents with right of survivorship exists, it undoubtedly has the duty of allowing the survivor access, subject to the provisions of state inheritance tax laws, even in the absence of the representative of the deceased co-renter. *Paton's Digest, Vol. III, page 3357.* (See, however, the possible exception hereinafter noted.) If, however, the parties are merely joint renters, without proprietary interest each in the other's property among the contents, nevertheless, the bank would be taking an uncalled for chance in denying access to the survivor. He has the right to remove the contents belonging to him at any time, and might suffer severe damage if this right were denied to him, even for a day or two. He might be held to have the right to charge such loss to the bank denying him access. Of course, he would, if allowed access alone, have the opportunity of appropriating some or all of the decedent's property in the box, but

the presumption is that he would not, and the bank would seem to have no justification for presuming that he would. In any event, such opportunity would be afforded by the decedent's own act, not by the bank, which, in allowing access, would be merely obeying instructions.

In some states, inheritance tax laws require a safe deposit box to be sealed for a certain period, after the death of a lessee. In such case, it is the duty of the bank to deny access even to the surviving joint tenant or joint lessee. Such statutes have been held constitutional. *National Safe Deposit Co. v. Stead*, 250 Ill. 584, 95 N.E. 973, aff'd 250 U. S. 58, 34 S. Ct. 209.

CERTAIN statements in the opinion of the state court in the last cited case indicate a possible responsibility of the bank to see to it that the property of the decedent in the safe deposit box is protected and delivered to the representative of the decedent. *Paton's Digest, Vol. 3, at page 3358*, suggests that in Illinois (and the same might also apply in some other states), the bank should "have the surviving renter and the representative of the estate of the decedent open the box jointly, or agree between themselves as to what part of the contents of the box is to be taken by each."

Q. Would the bank run the greater risk of loss by denying the co-renter access until the representative of the decedent could be present, or by allowing the co-renter access?

A. In the one case, the co-renter might sustain a substantial loss, chargeable to the bank, because of breach of contract, as in the case of marketable securities salable temporarily at an exceptionally favorable price; in the other, the bank might be charged with liability for property of the decedent improperly taken by the co-renter. In Illinois, the bank might defend the former course on the ground that under the law, as interpreted in *National Safe Deposit Co. v. Stead*, above cited, the bank was merely performing a duty imposed upon it by law, and was not chargeable for any resulting damage. Whether this defense would be available in other jurisdictions is not clear. In the latter course, the bank's only defense would be that it had no such duty to guard the property for the decedent's representative as seems to be intimated in *National Safe Deposit Co. v. Stead*, and that its only duty was to comply with the terms of its contract with the surviving co-renter. A great deal depends on whether the view expressed in *National Safe Deposit Co. v. Stead* would be followed in other jurisdictions. As to that we can only conjecture.

THE status of the property deposited in a safe deposit box jointly rented depends upon the agreement of the joint tenants. This agreement may or may not be incorporated in the bank's form of lease of the box. It would seem inadvisable for a bank to furnish a form of lease providing that the contents shall be held in joint tenancy with right of survivorship. The bank has no interest in the ownership of the contents. It should avoid being drawn into any controversy regarding the ownership of such contents. A form of lease providing for joint rental of the box, with right of survivorship in the lease, gives the survivor right of access; subject to the state law, including inheritance tax provisions. Any question of ownership of contents can be settled or litigated between the survivor and the decedent's representative. If the parties renting a box jointly desire that the contents shall be jointly owned, they can make their own independent agreement, or, better yet, have the securities or other valuable documents issued to them jointly, so that they will show on their face the joint tenancy and the right of survivorship.

Assignment of Accounts Receivable

"The writer," says Mr. Wells, "is a practicing attorney, representing no bank, finance company, borrower or lender, or debtor." Rather, he represents "the general public, the business man, the credit man, the man who is selling to the borrower and who has some right to know or to be informed about these borrowings and lendings; the man who is most concerned about secret liens and their effect, the man heard from the least." Mr. Wells was adjustment bureau manager, executive secretary and counsel for the Cleveland Association of Credit Men from 1921 through 1943. In those capacities he "liquidated thousands of businesses and watched the practical effect of secret liens, duplicate pledging and exorbitant interest rates." He is a member of the law firm of Wells & Marks, Cleveland.

HUGH WELLS

I HAVE observed the results of secret liens at first hand and in many forms. Often a business in bankruptcy would appear to have good dividend possibilities for creditors, but on examination we found large consignments of merchandise, and the assignment of receivables (both secret); these two, together with the accumulated taxes with their priority, have very often almost eliminated dividends for creditors.

There have been many cases of duplicate assigning of the same accounts, with the resulting injury to the assignee lender. These situations could be documented with many cases.

During the 1920's and 1930's borrowing upon accounts receivable developed in substantial volume in Ohio, but almost entirely from finance companies. Few businesses could live and pay the rates charged. The finance companies were willing to assume all the risks to set the high return. The banks stayed out of the field because of the legal uncertainty with regard to notification, the difficulty of protecting the lender in the event of returns, credits and adjustments. The bank was excluded from a proper lending field, and the business man was barred from the use of a legitimate collateral unless he was willing to be bled white.

The writer has been a member of the National Bankruptcy Conference for a number of years and has absorbed some of the thought and feeling of these men toward secret liens. Therefore it is inevitable that this paper is somewhat hostile to validation or secret liens, and prejudiced in favor of recordation or public liens.

THE confusion of the 1920's and 1930's may be quickly suggested without exhaustive description. The English rule established in the case of *Dearle* v. *Hall* placed the emphasis upon the notification of the debtor or the borrower by the lender. That assignee who notified the debtor first in time prevailed. The American rule placed the emphasis upon the date of the first assignment. The first assignee prevailed, regardless of who notified the debtor first. This rule had many refinements. The New York rule gave priority to the first assignee. He could collect from all subsequent assignees who were paid on accounts previously assigned to him. The Massachusetts law followed New York in the main, but gave the second assignee certain rights: (A) If the assignment to first assignee is revocable, the second prevails; (B) if the second obtains payment, judgment, novation, etc., he prevails.

THE above were indicative of the lines of development throughout the country. The major portion of the business of this nature was done in New York and Baltimore, or by companies with headquarters in those cities. There were in Cleveland alone many finance companies making loans on accounts receivable based upon secret liens at high rates.

In September 1938, the Bankruptcy Act was amended by the Chandler Act. The National Bankruptcy Conference far more than any other group was responsible for that act. The conference wrote it. Parts of the act were revised by other organizations, but the conference is responsible and to it must go the glory or the blame.

Section 60 (a) is at issue in this discussion:

> A preference is a transfer, as defined in this act, of any property of a debtor to or for the benefit of a creditor for or on account of an antecedent debt, made or suffered by such debtor while insolvent and within four months before the filing of the original petition under Chapter X, XI, XII or XIII of this act, the effect of which transfer will be to enable such creditor to obtain a greater percentage of his debts than some other creditor of the same class. For the purpose of subdivision "a" and "b" of this section, *a transfer shall be deemed to have been made at the time when it became so far perfected that no bona fide purchaser from the debtor and no creditor could thereafter have acquired any rights in the property so transferred superior to the rights of the transferee therein, and, if such transfer is so perfected prior to the filing of the petition in bankruptcy or of the original petition under Chapter X, XI, XII or XIII of this act, it shall be deemed to have been made immediately before bankruptcy.*" (italics ours)

THEN the confusion was crystallized and brought to a head when the Supreme Court decided *Corn Exchange National Bank & Trust Co.* v. *Klauder*, 318 U. S. 434, 63 Sup. Ct. 679, where the trustee in bankruptcy prevailed against the assignee bank which failed to notify the borrower's debtors as required by Pennsylvania law (as it was then). In other words, the bank did not perfect its title as required by Bankruptcy Act, Section 60a, and the transaction was held to be a preference and voidable. The fact that the assignments were for a present consideration in fact made no difference.

In re *Vardaman Shoe Company*, 52 Fed. Supp. 562, a District Court case, followed along the same lines, and the fat was in the fire. It was clear that Congress and the Supreme Court were against secret liens and intended to enforce Section 60a.

THE secret lien, non-notification gentlemen had to do something to protect their business, especially in notification states. The transfer of accounts receivable had to be perfected, so that no trustee could upset the deal under 60a. Amendment of the Bankruptcy Act appeared impractical.

Three forms of state statutes are being pushed before the various legislatures. The bookmarking statutes of Pennsylvania and Georgia have little merit and require no attention.

The issue has been or will be before all the remaining state legislatures: recording vs. validation, or, putting it another way, public notice vs. secrecy in the assignment of accounts receivable.

The "validation or secret lien" statute is really a codification of the New York or American rule which ignores equitable principles invoked by the courts of Massachusetts and of the United States Supreme Court to protect the second assignee. It gives the first assignee the right to collect from successive assignees whose rights of property in the accounts assigned are made subordinate to his. It maintains

that fetish of secrecy contrary to the intent of Congress and the framers of the Chandler Act. It leaves the balance of the credit-granting public in the dark and uninformed with regard to the status of this asset as they check credits. It leaves the road open for fraud by the successive assignment of the same accounts. The second and subsequent assignees are absolutely unprotected. However innocent the second lender may be and regardless of the fact that the consideration given was for full value and was contemporaneous with the assignment this statute ruthlessly permits the first assignee to collect the proceeds received by the second assignee on his assignment. One of the most glaring defects of the secret lien statute is that no opportunity is afforded for an assignee to determine whether he is in fact the first assignee or not.

It does away with need for giving actual notice of the assignment to the assignor's debtor, but the assignee still must make written request upon such debtor if he wishes him to make payment under the assignment directly to him (the assignee). This is equally true under a recordation statute, except that the assignor's debtor, if he wishes, can discover whether or not his creditor has made an assignment of the account. It removes the cloud from non-notification financing and may make non-notification assignments good against a trustee in bankruptcy.

Who wants it? The lenders, mostly, who are organized so that they can be heard; those who have had the field to themselves and would like to keep it so; those who have been guilty of exorbitant charges; those who prefer the old way and are naturally against change, who do not give a care for the public or the intent of Congress.

Surprisingly enough, the factor's lien law which has been pushed with such vigor throughout the country by factoring interests is in reality a filing statute with respect to the receivables which are derived from the sale of the factored inventory. However, some factors have been vehement in their opposition to filing where the receivables assigned do not arise from the sale of factored merchandise. No good answer as yet has been given as to why there should be a public notice in one case and not in another.

Is the borrower in favor of validation? We do not know, but he naturally would be. He would not care for publicity. He would like to borrow upon real estate or chattels secretly too, but does not stop because those instruments are required to be recorded or filed and therefore public.

The "filing or public notice" statute is the codification of a procedure for indicating an agreement between lender and borrower to assign accounts receivable as security for loans. In Ohio it is in the form of an affidavit, and is recorded with the county recorder of the domicile of the borrower. It is a simple instrument and good for three years. No lists of accounts are filed and no one is ever notified (except by the public record). The formerly dangerous questions of use of the money by the borrower (*Benedict v. Ratner*)—credits, returns and adjustments—are disposed of.

There is some conflict between the California, Idaho, Missouri, North Carolina, Ohio, Texas and Utah laws, indicating the need for a uniform law. Only Missouri permits notifying the

How Filing Works

We admit some prejudice in favor of filing. When the balance sheet is totaled we are convinced the balance will be in favor of filing.

How does it work in Ohio? The act was a piece of pioneering legislation and became effective September 5, 1941. It has been in effect nearly three and one-half years.

Following are two charts. The first is a record of filings in 16 counties in Ohio:

County	*Largest City*	*1941*	*1942*	*1943*	*1944*	*1945*	*Total*
Wayne	Wooster	3	5	1	2	1	12
Summit	Akron	58	37	23	43	24	185
Franklin	Columbus	33	42	26	32	28	161
Lucas	Toledo	12	3	7	6	16	44
Clark	Springfield	15	9	11	10	6	51
Cuyahoga	Cleveland	330	279	241	243	257	1,350
Hamilton	Cincinnati	84	77	47	66	41	315
Shelby	Sidney	2	3	0	0	0	5
Lake	Painesville	2	2	7	1	2	14
Harrison	Cadiz	0	0	0	0	0	0
Jefferson	Ashtabula	2	2	0	1	0	5
Columbiana	Lisbon	0	4	2	1	0	7
Muskingum	Zanesville	4	3	2	2	0	11
Montgomery	Dayton						209
Mahoning	Youngstown	36	24	9	11	13	93
Trumbull	Warren	12	11	8	9	5	45
		593	501	384	417	393	2,507

The second is a record of transactions by 55 banks scattered over the State of Ohio. They are not confined to the 16 counties:

Year	*No. of Banks Reporting*	*Total Loans*	*No. of Loans*	*Average Loan*
1939	32	$ 13,217,295	2,915	$ 5,220.34
1940	35	19,224,394	2,928	6,565.71
1941	36	22,990,321	2,974	7,730.44
1942	40	34,883,820	3,525	9,896.12
1943	39	46,424,371	4,459	10,411.39
1944	38	36,071,226	5,104	7,067.25
1945*	47	30,944,697	4,963	6,235.08
		$ 205,756,124	26,868	$ 7,658.04

* *10 months*

debtor as an alternative to filing of notice.

What does this law do? It complies with the intent of Congress, and eliminates all secrecy in this field of borrowing. The filing act disturbs none of the normal relations between the assignor and his debtor, such as the return of unsatisfactory merchandise, credit adjustments, set-offs, and the payment of the debt in the ordinary manner. Of course, if the debtor receives a request for payment from the assignee he must comply.

It is in accord with Section 60a of the Bankruptcy Act. If the affidavit is filed, the title to or lien upon the account receivable is perfected so that no innocent purchaser for value could get a better title. It eliminates the hurdles and pitfalls which kept banks out of this field, and the resulting competition has forced rates down to the great benefit of the borrower.

It opens a new field for borrowing and financing at reasonable rates. It protects the first assignee who was protected by validation, but it eliminates the possibility of careful subsequent assignees being hurt because the publication will keep them out. It will eliminate fraud or duplicate assignment of the same accounts.

Under the filing statute the assignment of accounts receivable is no longer a red flag or danger signal to suppliers of the assignor. Credit grantors have become accustomed to notices of these filings of affidavits and do not regard them as any more of a danger signal than mortgages upon real estate to secure a note or a bond issue. It is not indicative of trouble because no bank desires to get into a fading business by loans, and the credit man knows that.

THE filing act theoretically permits two or more persons to finance a business on its accounts receivable, but probably the practice will be, as before, for one person alone to do such financing.

The act is not complicated, but very simple to operate. It does not decrease, but to the contrary increases the volume of such business because the rates become reasonable and the field is recognized as proper, i.e., is respectable and good business.

Finally, we maintain the borrower when fully informed is not opposed to the publicity. Such is unquestionably the experience in Ohio.

You will notice that the volume dropped off in 1944. Naturally the war had considerable effect upon this type of business. The past four years have been extremely abnormal for commercial banking. The business has been almost non-existant. It will be interesting to compare these charts with similar charts at the end of the next four years when business should be more nearly normal. We prophesy a decided increase both in the filings of affidavits and in the volume of loans.

The procedure of filing seems to have the advantages of simplicity, publicity and safety. It meets all the tests of Section 60a of the Bankruptcy Act. It should receive the careful consideration of business and all legislatures before which such legislation may be pending.

Washington

(CONTINUED FROM PAGE 23)

changes in bank reserve requirements. Reserve Board Chairman Eccles sees the necessity for cutting down the volume of money. He would use legal methods to produce artificial deflation in the money supply. Congress's acceptance of such philosophy is problematical.

Banks and "Governments" However, closely connected with this same philosophy are the proposals for more closely controlling bank holdings of government securities. Canada, with her dominant branch banking systems, has already embarked on such a course. How would America's dual banking system operate under some adapted system where the controls were in the hands of the money agencies of the Government? At the same time it is recognized that the volume of money and its low cost is tied closely with a successful reconversion period. Also involved are bank loans and the credit that banks can extend.

Secretary of Commerce Wallace has again urged a system of government-guaranteed loans to small business. Some government agency would guarantee such lending up to 90 per cent of the loan. The plan includes a moratorium, should small business encounter difficulties. Commercial banks would make the loans, merely acting as agents for the Government. Secretary Wallace assumes that small business is finding it difficult to secure bank credit of this type. And he is undoubtedly right to the extent that banks could not safely embark upon such lending programs without creating other hazards.

Housing and Politics The shortage of housing has become a political issue. In addition to reasonable efforts of the Government to stimulate low-cost housing, there are proposals to underwrite large-scale public housing. Private capital would be asked to make heavy investments at low interest rates. The previously mentioned bi-partisan bloc in Congress is interested in the program.

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EDITORIAL

THE CONDITION OF BUSINESS

By WILLIAM R. KUHNS

THE OUTLOOK. Two things attest the vitality of commerce and industry today. One is the fact that business is looking the future right in the eye. The other is the unprecedented birthrate of new business enterprises, a result of peace but still a good sign that opportunity lives in the United States.

Just how business thinks and feels can hardly be shown statistically yet anyone who takes the pains to sound out the national business community will make an interesting discovery—the custom of looking to the Government for salvation is almost, but not quite, a dead duck.

This is how one business leader would safeguard against inflation:

First, adopt a definite program for meeting the Federal debt. The debt is now about $275 billion with interest about 2 per cent, or $5½ billion. Proposed sinking fund of 1 per cent would require $2¾ billion. Total interest and sinking fund equal $8¼ billion, to be included annually in Federal budget, to be applied to interest and any excess to sinking fund. Thus, as interest requirements become less, sinking fund will be greater. Debt would be paid in about 56 years, if amortization continued at that rate.

Second, balance the budget by extreme economy throughout but include $8¼ billion for debt service.

Third, review Federal tax plan, eliminate all taxes where cost of administration is too great in relation to tax yield. Eliminate inequalities and capital gains and losses provision but keep revenue high enough to balance budget.

Fourth, restore confidence in American dollar by announcing no intention of further devaluation. Permit coinage and free circulation of gold but prohibit export except with Treasury license.

Fifth, assure labor and capital that policy of Federal Government will be to stimulate private enterprise and keep a high standard of living, but Federal Government cannot assume responsibility for providing employment. Require unions to observe contracts and prohibit jurisdictional and "sympathy" strikes.

Sixth, stabilize interest rates on government bonds by a clear statement of policy. Scale should be about: 1 per cent on one-year certificate of indebtedness, 1¼ per cent on three to five-year notes, 1½ per cent on seven to 10-year bonds, 2 per cent on 12 to 15-year bonds, 2¼ per cent on 17 to 20-year bonds, and 2½ per cent on 25 to 30-year bonds.

Seventh, announce a policy of gradual refunding of maturing debt into varying maturities in such a way that more of the debt will be held by other than commercial banks. Declare that future issues of bonds with maturities over five years will not be eligible for purchase or holding by commercial banks until within five years of maturity.

Another says . . .

The most important step is to balance the national budget. Every effort must be made to impress upon Congressmen the seriousness of the continuation of uncontrolled Federal spending.

Second, the huge debt must be retired gradually and steadily.

Third, a majority of the people must be kept on the tax rolls so as to make the country fully aware of the cost of government. The amount of tax on people in low-income brackets need not be heavy, but they must be made aware of the fact that Federal Government spending means Federal Government collecting as well.

Fourth, thrift and self-reliance must be encouraged by providing a reasonable return on investments for savings deposits and insurance funds.

Fifth, production must be started and to do this restrictions must be removed insofar as possible to provide for free interplay of competition to reduce prices. There must be permitted a fair return on capital to induce its risk and to stimulate production.

Sixth, wages should be stabilized at or about the existing levels. From that point on labor and management must work toward a reduction of cost of living and prices of commodities in general so that the workingmen will benefit not in increases in wages but by increases in purchasing power. Also this country will be enabled thereby to compete more effectively in world markets.

And a Third . . .

Some people maintain that labor is only a small part of the cost of the average finished article. That statement is true as to the labor costs of any one individual plant. In the final analysis all costs are labor costs. Iron ore in the ground costs practically nothing. It takes labor first to find and locate the ore; labor removes it from the ground, loads it on the train, into the ship and unloads it at the mill.

Labor then makes it into steel, retransports it to another plant where labor makes it into semi-finished products. Again labor converts it into the finished automobile part which the automobile manufacturer then assembles with labor into a finished automobile.

Cotton and wool textiles tell the same story. It is labor all the way back to shearing the sheep and the herdsmen helping the lambs to come into this world. With cotton, it is labor back to the time the seed is put into the soil.

The wage increase of 15 per cent to 20 per cent in labor reflected all down through the various processes to the raw material will, therefore, necessarily be reflected in similar increases in the price of the finished article.

The only way that the inflation spiral can be stopped will be a determined effort on the part of both labor and management to increase production on a nationwide scale and then a definite freeze on wages and prices.